

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Charter Township of Port Huron</b>	County <b>St. Clair</b>
Audit Date <b>12/31/05</b>	Opinion Date <b>04/18/06</b>	Date Accountant Report Submitted to State: <b>06/26/06</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<b>X</b>		
Reports on individual federal financial assistance programs (program audits).			<b>X</b>
Single Audit Reports (ASLGU).			<b>X</b>

Certified Public Accountant (Firm Name) <b>Stewart, Beauvais &amp; Whipple PC</b>			
Street Address <b>1979 Holland Avenue</b>	City <b>Port Huron</b>	State <b>MI</b>	ZIP <b>48060</b>
Accountant Signature <i>Stewart Beauvais Whipple</i>		Date <b>06/26/06</b>	

**CHARTER TOWNSHIP OF PORT HURON, MICHIGAN**

**ANNUAL FINANCIAL STATEMENTS**  
**with Supplementary Information**

**FOR THE YEAR ENDED**  
**DECEMBER 31, 2005**

Stewart,  
Beauvais  
& Whipple P.C.

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CERTIFIED PUBLIC ACCOUNTANTS



# CHARTER TOWNSHIP OF PORT HURON, MICHIGAN

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## INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of the  
Charter Township of Port Huron  
St. Clair County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Port Huron, Michigan, as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter Township of Port Huron's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Port Huron, Michigan, as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 18, 2006 on our consideration of the Charter Township of Port Huron's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 8, and schedules of budgetary comparisons on pages 44 through 48 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Port Huron's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedure applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Certified Public Accountants

April 18, 2006

### OVERVIEW OF THE FINANCIAL STATEMENTS

The Charter Township of Port Huron's 2005 annual report is presented in conformity with the requirements of GASB 34. This annual report consists of four parts – management's discussion and analysis, the basic financial statements, required supplementary information, and other supplemental information, which presents combining statements for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the Township. The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the Township's government, reporting the Township's operations in more detail than the government-wide statements.

#### *Government-Wide Financial Statements*

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid (full accrual).

The two government-wide statements report the Township's net assets and how they have changed. Net assets, defined as the difference between the Township's assets and liabilities, are one way to measure the Township's financial health or position.

The government-wide financial statements of the Township are divided into two categories:

**Governmental activities** – most of the Township's basic services are included here, such as the road, park, police, fire, public works, and general administration. Property taxes, state-shared revenue, and charges for services, provide most of the funding.

**Business-type activities** – the Township charges fees to customers to help it cover the costs of certain services it provides. The Township's water, sewer and refuse operations are treated as business-type activities.

#### *Fund Financial Statements*

The fund financial statements provide more detailed information about the Township's most significant funds; not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and/or by bond covenants. The Township Board establishes other funds to control and manage money for particular purposes.

The Township has three kinds of funds:

**Governmental funds** - Most of the Township's basic services are included in governmental funds, which focus on how cash and other financial assets can readily be converted to cash flow in and out, and the balances left at year end that are available for spending. The governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs.

**Proprietary funds** - Services for which the Township charges customers a fee are generally reported in the Water, Sewer and Refuse Funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information.

**Fiduciary Funds** – The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Township’s fiduciary activities are reported in a separate statement of assets and liabilities. We exclude these activities from the Township’s government-wide financial statements because the Township cannot use these assets to finance its operations.

## **FINANCIAL OVERVIEW (Government-wide financial analysis)**

The Township has combined total net assets of 27.3 million. This is an increase over 2004 of \$818,023. Government-type activities comprise \$6.4 million, and business-type activities make up \$20.9 million of the total net assets. In a condensed format, the table below shows net assets as of the December 31, 2005 and 2004.

### **In Thousands**

	Governmental Activities		Business-type Activities	
	2005	2004	2005	2004
<b>Assets</b>				
Current assets	\$ 6,046	\$ 5,783	\$ 3,211	\$ 3,128
Restricted assets	21	21	4,835	4,839
Noncurrent assets	<u>2,478</u>	<u>2,072</u>	<u>16,493</u>	<u>16,068</u>
Total assets	<u>8,545</u>	<u>7,876</u>	<u>24,539</u>	<u>24,035</u>
<b>Liabilities</b>				
Current liabilities	2,044	1,617	594	528
Liabilities payable from				
Restricted assets	-	-	488	390
Long-term liabilities	<u>145</u>	<u>231</u>	<u>2,520</u>	<u>2,670</u>
Total liabilities	<u>2,189</u>	<u>1,848</u>	<u>3,602</u>	<u>3,588</u>
<b>Net Assets</b>				
Invested in capital assets –				
Net of related debt	2,333	1,841	13,900	13,240
Restricted	1,246	746	4,473	4,666
Unrestricted	<u>2,777</u>	<u>3,441</u>	<u>2,564</u>	<u>2,541</u>
Total net assets	<u>\$ 6,356</u>	<u>\$ 6,028</u>	<u>\$ 20,937</u>	<u>\$ 20,447</u>

The Township governmental activities experienced a net change in assets of \$328,563. The main reasons are that the General Fund experienced revenues under expenditures of \$(355,146), the Road Fund experienced revenues over expenditures of \$152,843 and that capital outlays and principal payments on long-term debt exceeded depreciation by \$494,672.



The following table shows the changes in net assets for 2005 and 2004.

**In Thousands**

	Governmental Activities		Business-type Activities	
	2005	2004	2005	2004
<b>Revenue</b>				
Program revenue:				
Charges for services	\$ 569	\$ 426	\$ 2,983	\$ 2,907
Operating grants and contributions	20	60	-	-
Capital grants and contributions	66	66	300	395
General revenue:				
Property taxes	1,379	1,238	333	430
Unrestricted grants	704	709	-	-
Unrestricted investment earnings	167	47	185	64
Total Revenue	<u>2,905</u>	<u>2,546</u>	<u>3,801</u>	<u>3,796</u>
<b>Program Expenses</b>				
General Government	760	628	-	-
Public Safety	1,206	1,089	-	-
Public Works	431	383	-	-
Recreation and Cultural	170	172	-	-
Health and Welfare	4	6	-	-
Interest on Debt	5	13	-	-
Water and Sewer	-	-	3,312	3,086
Total Program Expenses	<u>2,576</u>	<u>2,291</u>	<u>3,312</u>	<u>3,086</u>
<b>Changes in net assets</b>	<u>\$ 329</u>	<u>\$ 255</u>	<u>\$ 489</u>	<u>\$ 710</u>

***Governmental Activities***

Revenues for governmental activities totaled \$2,904,485 in 2005. Of this amount, \$1,379,194 was received from taxes, which was an increase of \$140,505 from the prior year. The next largest revenue source was federal/state/local revenue of \$769,730, an increase of \$83,641 from 2004, and charges for services of \$230,685, a decrease of \$22,701.

***Business-type Activities***

The Township has three business-type activities, the water, sewer and refuse operations. Total revenues including property taxes, special assessments, taxes and interest income was \$3,801,816 and expenses were \$3,312,356 for a change in net assets of \$489,460. Most of this increase is a result of increases in water and sewer user charges and lateral fees of \$76,179, with the remaining increase from interest earned of \$121,045.

## **FINANCIAL ANALYSIS OF MAJOR TOWNSHIP FUNDS AND BUDGETS**

### ***Governmental Funds***

The General Fund ended 2005 with a fund balance of \$2,661,750, with \$22,296 reserved for prepaid expenditures and the remaining amount unreserved/undesignated. The original General Fund Budget estimated revenues over expenditures of \$125, with the final amended budget approved by the Township Board estimating expenditures over revenues of \$369,450. Actual results for 2005 have expenditures under revenues of \$355,146 or a positive variance of \$14,304. The significant reasons for the difference include:

- Intergovernmental revenue was \$138,730 more than anticipated, and interest and rents was \$83,027 more than anticipated.
- Expenditures for General Government activities were \$95,612 more than the budget mainly because of paving the Township parking lot.
- Expenditures for the Department of Public Works were \$70,059 more than the budget mainly because of paving the DPW parking lot.
- Expenditures for the Fire Department were \$61,900 more than budget as a result of \$9,631 in salaries and \$42,452 in capital outlay expense.

The Townships other major governmental funds had the following revenues over (under) expenditures as follows:

- Road Fund had revenues in excess of expenditures of \$152,843 because the Township was accumulating resources for a major road project in 2006/07.
- The Police Fund had revenues over expenditures of \$11,729.
- The Transportation Fund had revenues over expenditures of \$34,602.

The budgets were amended throughout the year as deemed necessary, primarily to prevent over expenditure. The following significant amendments were made during the year.

#### **General Fund**

- The Township Board (Legislative) budget was amended from \$147,600 to \$385,000 to increase contracted services by \$95,600 for the parking lot repaving and to increase land acquisition \$134,275 for the purchase of property next to the Township hall.
- The Fire Department budget, including Debt Service, was amended from \$470,800 to \$580,000 to increase salaries and fringes \$38,200, to increase the fire truck payment \$48,000 for the early payoff and to increase capital outlay \$15,500.

#### **Other Funds**

- Museum Fund expenditures were increased from \$3,650 to \$17,200 because of a donation received of \$20,000.

### ***Business-type Activities***

As indicated earlier the Township only three business-type activities, the water, sewer and refuse operations. Total revenues amounted to \$3,801,816 for 2005 and expenses were \$3,312,356 for an increase in net assets of \$489,460. Most of this increase is a result of increased water and sewer user charges and lateral fees of \$76,179, with the remaining increase from interest earned of \$121,045.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### *Capital Assets*

The Township had \$19.0 million dollars invested in capital assets for its government and business-type activities (net of accumulated depreciation) as of December 31, 2005. The investment is a capital asset, which includes land, land improvements, buildings, machinery and equipment, and water and sewer lines. During the year the Township added \$1,470,499 of capital assets, \$516,720 in the government-activities and \$953,779 in the business-type activities. Of the governmental activities, \$145,352 was for purchase of property, \$163,187 for parking lots resurfacing, \$100,507 of shared road improvements and \$86,336, which included the purchase of three vehicles. Most of the business-type activities were a result of construction of Petit and 32<sup>nd</sup> Street sewer lines.

	Governmental Activities		Business-type Activities	
	2005	2004	2005	2004
Land	\$ 768,031	\$ 622,680	\$ 82,062	\$ 82,062
Land Improvements	792,582	528,888	-	-
Building and Improvements	1,506,565	1,485,227	-	-
Machinery and Equipment	1,056,942	974,474	707,908	707,908
Mains and Extensions	-	-	23,389,892	23,332,503
Construction in Progress	-	-	637,324	48,702
	4,124,120	3,611,269	24,817,186	23,878,602
Accumulated Depreciation	( 1,645,680)	( 1,539,308)	( 8,324,517)	( 7,854,565)
	<u>\$ 2,478,440</u>	<u>\$ 2,071,961</u>	<u>\$16,492,669</u>	<u>\$ 16,024,037</u>

Additional information on the Township's capital assets can be found in Note 7.

### *Long-Term Debt*

At December 31, 2005, the Township's had \$2,780,200 in long-term debt compared to \$3,005,976 at December 31, 2004, a decrease of \$225,776 from the prior year. The following table shows the long-term debt at December 31, 2005 and 2004:

	Governmental Activities		Business-type Activities	
	2005	2004	2005	2004
Revenue Bond	\$ -	\$ -	\$ 40,000	\$ 50,000
G.O. Bonds	-	-	2,595,000	2,725,000
Notes Payable	145,200	145,200	-	-
Capital Leases	-	85,776	-	-
	<u>\$ 145,200</u>	<u>\$ 230,976</u>	<u>\$ 2,635,000</u>	<u>\$ 2,775,000</u>

Subsequent to year-end, the Township sold \$975,000 of General Obligation Limited Tax Bonds for water and sewer construction projects.

## **ECONOMIC FACTORS AND NEXT YEARS BUDGET**

For 2006, the Township Board adopted a balanced general fund budget with estimated revenues and expenditures of \$1,407,500. This is approximately a 27% decrease from actual expenditures for 2005 and an 18% decrease from the 2005 amended general fund expenditure budget. The decrease is due to 2005 expenditures including such items as \$91,269 for parking lot resurfacing at the Township Hall, \$71,918 for parking lot resurfacing at the DPW building, \$145,352 to purchase property and \$58,622 for an early pay off on the Township fire truck lease. Although local municipalities in the State of Michigan have seen State Shared Revenues decrease significantly during the past few years, the 2006 budget does not anticipate any further cuts.

## **CONTACTING THE TOWNSHIP**

This financial report is designed to provide a general overview of the Township's finances to and our residents and other interested parties in understanding the Township's financial condition. If you have questions about this report or need additional financial information, please contact the Township at (810) 987-6600.

## **BASIC FINANCIAL STATEMENTS**

# CHARTER TOWNSHIP OF PORT HURON

St. Clair County, Michigan

## STATEMENT OF NET ASSETS DECEMBER 31, 2005

	Primary Government			Component Units
	Governmental Activities	Business Type Activities	Total	
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 4,205,282	\$ 1,801,256	\$ 6,006,538	\$ 1,835,129
Investments	-	5,000	5,000	-
Receivables (net of allowance)	1,725,807	1,119,387	2,845,194	1,160,148
Internal balances	69,608	( 69,608)	-	-
Due from primary government	-	-	-	25,759
Due from component unit	21,573	173,235	194,808	-
Prepaid expenditures	24,086	7,909	31,995	-
Deferred assets	-	41,890	41,890	-
Restricted Assets -				-
Cash and cash equivalents	20,875	4,457,397	4,478,272	-
Receivables (net of allowance)	-	509,520	509,520	-
Capital assets (net of accumulated depreciation)				
Assets not being depreciated	768,031	719,386	1,487,417	-
Assets being depreciated	1,710,409	15,773,283	17,483,692	6,626,209
Total Assets	<u>8,545,671</u>	<u>24,538,655</u>	<u>33,084,326</u>	<u>9,647,245</u>
<b>LIABILITIES:</b>				
Payables and accrued liabilities	587,684	436,801	1,024,485	97,065
Accrued interest	2,178	42,864	45,042	27,768
Due to primary government	-	-	-	194,808
Due to component units	7,972	-	7,972	-
Advances and deposits	43,862	27,645	71,507	-
Deferred revenue	1,402,053	87,207	1,489,260	1,160,148
Liabilities Payable From Restricted Assets				
Accounts payable	-	123,152	123,152	-
Bonds payable (current)	-	115,000	115,000	-
Accrued interest	-	7,327	7,327	-
Deferred revenue	-	242,422	242,422	-
Non-current liabilities				
Due within one year	145,200	90,000	235,200	545,000
Due in more than one year	-	2,430,000	2,430,000	2,960,000
Total Liabilities	<u>2,188,949</u>	<u>3,602,418</u>	<u>5,791,367</u>	<u>4,984,789</u>
<b>NET ASSETS:</b>				
Investment in capital assets, net of related liabilities	2,333,240	13,899,559	16,232,799	3,121,209
Restricted				
Debt retirement/construction of capital assets	-	4,604,305	4,604,305	-
Cemetery perpetual care				
Nonexpendable	20,478	-	20,478	-
Other	1,221,225	-	1,221,225	-
Unrestricted	2,781,779	2,432,373	5,214,152	1,541,247
Total Net Assets	<u>\$ 6,356,722</u>	<u>\$ 20,936,237</u>	<u>\$ 27,292,959</u>	<u>\$ 4,662,456</u>

The accompanying notes are an integral part of these financial statements.

# CHARTER TOWNSHIP OF PORT HURON

St. Clair County, Michigan

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2005

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental activities:				
General Government	\$ 759,739	\$ 167,548	\$ -	\$ 10,002
Public Safety	1,206,444	172,023	-	11,662
Public Works	431,663	79,440	-	6,611
Recreation and Culture	170,192	146,049	20,000	37,479
Health and Welfare	3,670	3,670	-	-
Interest on Long Term Debt	4,214	-	-	-
Total governmental activities	<u>2,575,922</u>	<u>568,730</u>	<u>20,000</u>	<u>65,754</u>
Business type activities:				
Water Fund	1,559,371	1,385,118	-	41,565
Sewer Fund	1,391,227	1,185,113	-	258,286
Refuse Fund	361,758	413,315	-	-
	<u>3,312,356</u>	<u>2,983,546</u>	<u>-</u>	<u>299,851</u>
 Total Primary Government	 <u>5,888,278</u>	 <u>3,552,276</u>	 <u>20,000</u>	 <u>365,605</u>
<b>Component Units</b>				
Downtown Development Authority	342,171	-	-	-
Economic Development Corporation	1,970	4,000	-	-
Brownfield Redevelopment Authority	47,607	-	-	47,274
Total Component Units	<u>391,748</u>	<u>4,000</u>	<u>-</u>	<u>47,274</u>

### General revenues:

Property taxes

Grants and contribution not

restricted to specific programs

Unrestricted investment income

Total general revenues and transfers

Change in net assets

Net assets at beginning of year

Prior period adjustment

Net assets at beginning of year, as restated

Net assets at end of year

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Change in Net Assets

Primary Government			
Governmental Activities	Business Type Activities	Total	Component Units
\$( 582,189)	\$ -	\$( 582,189)	\$ -
( 1,022,759)	-	( 1,022,759)	-
( 345,612)	-	( 345,612)	-
33,336	-	33,336	-
-	-	-	-
( 4,214)	-	( 4,214)	-
( 1,921,438)	-	( 1,921,438)	-
-	( 132,688)	( 132,688)	-
-	52,172	52,172	-
-	51,557	51,557	-
-	( 28,959)	( 28,959)	-
( 1,921,438)	( 28,959)	( 1,950,397)	-
-	-	-	( 342,171)
-	-	-	2,030
-	-	-	( 333)
-	-	-	( 340,474)
1,379,194	333,426	1,712,620	1,034,430
704,094	-	704,094	-
166,713	184,993	351,706	36,121
2,250,001	518,419	2,768,420	1,070,551
328,563	489,460	818,023	730,077
6,028,159	20,446,777	26,474,936	3,850,899
-	-	-	81,480
6,028,159	20,446,777	26,474,936	3,932,379
\$ 6,356,722	\$ 20,936,237	\$ 27,292,959	\$ 4,662,456



**CHARTER TOWNSHIP OF PORT HURON**

**St. Clair County, Michigan**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2005**

	<u>General</u>	<u>Road</u>	<u>Police</u>	<u>Transportation</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
<b>Current assets -</b>						
Cash and cash equivalents	\$ 2,683,082	\$ 631,019	\$ 49,306	\$ 307,318	\$ 534,557	\$ 4,205,282
Receivables -						
Property taxes	410,787	239,336	376,368	184,642	119,620	1,330,753
Interest and accounts	46,643	-	-	-	-	46,643
Special assessments	19,714	61,332	-	-	-	81,046
Due from other governmental units -						
Federal/State/Local	205,690	61,675	-	-	-	267,365
Due from other funds	110,600	-	86,099	-	63,025	259,724
Due from component unit	21,573	-	-	-	-	21,573
Prepaid expenditures	22,296	-	-	-	1,790	24,086
	<u>3,520,385</u>	<u>993,362</u>	<u>511,773</u>	<u>491,960</u>	<u>718,992</u>	<u>6,236,472</u>
<b>Restricted assets -</b>						
Cash and cash equivalents	-	-	-	-	20,875	20,875
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,875</u>	<u>20,875</u>
Total Assets	<u>\$ 3,520,385</u>	<u>\$ 993,362</u>	<u>\$ 511,773</u>	<u>\$ 491,960</u>	<u>\$ 739,867</u>	<u>\$ 6,257,347</u>
<b>Liabilities:</b>						
Accounts payable	\$ 222,738	\$ 109,099	\$ 37,548	\$ 161,707	\$ 2,355	\$ 533,447
Accrued liabilities	50,016	-	-	-	4,221	54,237
Advances and deposits						
Local	7,450	-	-	-	36,412	43,862
Due to other funds	146,414	9,979	-	-	33,723	190,116
Due to component unit	7,972	-	-	-	-	7,972
Deferred revenue	424,045	286,038	436,368	184,642	131,020	1,462,113
	<u>858,635</u>	<u>405,116</u>	<u>473,916</u>	<u>346,349</u>	<u>207,731</u>	<u>2,291,747</u>
<b>Fund Balances:</b>						
Reserved -						
Prepaid expenditures	22,296	-	-	-	1,790	24,086
Parks millage	-	-	-	-	159,237	159,237
Perpetual Care	-	-	-	-	20,478	20,478
Unreserved -						
Undesignated -						
General Fund	2,639,454	-	-	-	-	2,639,454
Special Revenue Funds	-	588,246	37,857	145,611	350,631	1,122,345
Total Equity	<u>2,661,750</u>	<u>588,246</u>	<u>37,857</u>	<u>145,611</u>	<u>532,136</u>	<u>3,965,600</u>
Total Liabilities and Fund Equity	<u>\$ 3,520,385</u>	<u>\$ 993,362</u>	<u>\$ 511,773</u>	<u>\$ 491,960</u>	<u>\$ 739,867</u>	<u>\$ 6,257,347</u>

The accompanying notes are an integral part of these financial statements.

**CHARTER TOWNSHIP OF PORT HURON**

**St. Clair County, Michigan**

**RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR  
GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
ON THE STATEMENT OF NET ASSETS  
DECEMBER 31, 2005**

Fund Balances - total governmental funds		\$	3,965,600
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			
Capital assets			4,124,120
Accumulated depreciation		(	1,645,680)
Other long term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.			
Special Assessments			60,060
Long - term liabilities are not due and payable in the current period and therefore are not reported in the funds.			
Notes payable	(	145,200)	
Accrued interest	(	2,178)	( 147,378)
Net Assets of governmental activities		\$	<u><u>6,356,722</u></u>

The accompanying notes are an integral part of these financial statements.

**CHARTER TOWNSHIP OF PORT HURON**  
**St. Clair County, Michigan**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

	General	Road	Police	Transportation	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Taxes	\$ 510,109	\$ 227,298	\$ 456,738	\$ 189,958	\$ -	\$ 1,384,103
Licenses and permits	4,690	-	-	-	163,554	168,244
Intergovernmental -						
Federal/State	741,734	-	-	-	4,811	746,545
Local	27,996	-	-	-	16,334	44,330
Charges for services	121,633	-	-	-	109,052	230,685
Fines and forfeits	2,384	-	-	-	-	2,384
Interest and rent	133,127	17,425	3,508	6,351	41,130	201,541
Other	20,887	79,440	-	-	31,235	131,562
Total Revenues	<u>1,562,560</u>	<u>324,163</u>	<u>460,246</u>	<u>196,309</u>	<u>366,116</u>	<u>2,909,394</u>
<b>Expenditures:</b>						
Current -						
General Government	990,037	-	-	-	18,918	1,008,955
Public Safety	554,250	-	451,109	-	208,996	1,214,355
Public Works	261,294	171,320	-	161,707	-	594,321
Recreation and Cultural	31,048	-	-	-	125,838	156,886
Health and Welfare	3,670	-	-	-	-	3,670
Debt Service						
Principal	85,776	-	-	-	-	85,776
Interest	6,631	-	-	-	-	6,631
Total Expenditures	<u>1,932,706</u>	<u>171,320</u>	<u>451,109</u>	<u>161,707</u>	<u>353,752</u>	<u>3,070,594</u>
Excess of revenues over (under) expenditures	<u>( 370,146)</u>	<u>152,843</u>	<u>9,137</u>	<u>34,602</u>	<u>12,364</u>	<u>( 161,200)</u>
<b>Other Financing Sources (Uses):</b>						
Transfers from other funds	15,000	-	2,592	-	1,558	19,150
Transfers to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 19,150)</u>	<u>( 19,150)</u>
Total Other Financing Sources	<u>15,000</u>	<u>-</u>	<u>2,592</u>	<u>-</u>	<u>( 17,592)</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures	<u>( 355,146)</u>	<u>152,843</u>	<u>11,729</u>	<u>34,602</u>	<u>( 5,228)</u>	<u>( 161,200)</u>
Fund Balances at beginning of year	<u>3,016,896</u>	<u>435,403</u>	<u>26,128</u>	<u>111,009</u>	<u>537,364</u>	<u>4,126,800</u>
Fund Balances at end of year	<u>\$ 2,661,750</u>	<u>\$ 588,246</u>	<u>\$ 37,857</u>	<u>\$ 145,611</u>	<u>\$ 532,136</u>	<u>\$ 3,965,600</u>

The accompanying notes are an integral part of these financial statements.

**CHARTER TOWNSHIP OF PORT HURON**

**St. Clair County, Michigan**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
DECEMBER 31, 2005**

Net change in fund balances - total governmental funds			\$( 161,200)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.			
Capital outlay			516,720
Depreciation expense		(	110,240)
Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(	4,910)
Repayment of the principal of long-term debt consumes the current financial resources of governmental funds, however has no effect on net assets.			
Principal payments on long term liabilities	85,776		
Decrease in accrued interest	<u>2,417</u>		<u>88,193</u>
Change in net assets of governmental activities		\$	<u><u>328,563</u></u>

The notes to the financial statements are an integral part of this statement.

**CHARTER TOWNSHIP OF PORT HURON**  
**St. Clair County, Michigan**

**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Water</u>	<u>Sewer</u>	<u>Refuse</u>	<u>Total</u>
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 1,242,264	\$ 457,261	\$ 101,731	\$ 1,801,256
Investments	5,000	-	-	5,000
Receivables -				
Utilities	508,645	456,922	-	965,567
Special assessments	52,274	3,949	-	56,223
Other	-	-	97,597	97,597
Due from other funds	6,275	72,511	47,168	125,954
Due from component unit	-	173,235	-	173,235
Prepaid expenses	3,981	3,928	-	7,909
	<u>1,818,439</u>	<u>1,167,806</u>	<u>246,496</u>	<u>3,232,741</u>
<b>Restricted Assets:</b>				
Cash and cash equivalents	-	4,457,397	-	4,457,397
Receivables -				
Taxes	-	242,422	-	242,422
Special assessment	-	264,831	-	264,831
Tap-in fees	-	2,267	-	2,267
Due from other funds	-	10,289	-	10,289
	<u>-</u>	<u>4,977,206</u>	<u>-</u>	<u>4,977,206</u>
<b>Utility System:</b>				
Land	82,062	-	-	82,062
Mains and extensions	6,141,215	17,248,677	-	23,389,892
Equipment	185,773	522,135	-	707,908
	<u>6,409,050</u>	<u>17,770,812</u>	<u>-</u>	<u>24,179,862</u>
Less - accumulated depreciation	( 2,201,883)	( 6,122,634)	-	( 8,324,517)
	<u>4,207,167</u>	<u>11,648,178</u>	<u>-</u>	<u>15,855,345</u>
Construction in progress	-	637,324	-	637,324
	<u>4,207,167</u>	<u>12,285,502</u>	<u>-</u>	<u>16,492,669</u>
<b>Other Assets:</b>				
Unamortized bond costs	<u>12,113</u>	<u>29,777</u>	<u>-</u>	<u>41,890</u>
Total Assets	<u>\$ 6,037,719</u>	<u>\$ 18,460,291</u>	<u>\$ 246,496</u>	<u>\$ 24,744,506</u>

	<u>Water</u>	<u>Sewer</u>	<u>Refuse</u>	<u>Total</u>
<b>LIABILITIES</b>				
<b>Current Liabilities:</b>				
Payables -				
Accounts	\$ 54,184	\$ 4,118	\$ -	\$ 58,302
Accrued salaries	4,355	2,315	-	6,670
Deposits	25,476	2,169	-	27,645
Due to other governmental units -				
Local	196,792	175,037	-	371,829
Due to other funds	160,196	45,107	548	205,851
Accrued interest	42,864	-	-	42,864
Bonds payable	90,000	-	-	90,000
Deferred revenue	-	-	87,207	87,207
	<u>573,867</u>	<u>228,746</u>	<u>87,755</u>	<u>890,368</u>
<b>Current Liabilities - (Payable from restricted assets):</b>				
Accounts payable	-	123,152	-	123,152
Bonds payable (current portion)	-	115,000	-	115,000
Accrued interest	-	7,327	-	7,327
Deferred revenue	-	242,422	-	242,422
	<u>-</u>	<u>487,901</u>	<u>-</u>	<u>487,901</u>
<b>Long-Term Liabilities:</b>				
Bonds payable (net of current portion)	<u>1,490,000</u>	<u>940,000</u>	<u>-</u>	<u>2,430,000</u>
Total Liabilities	<u>2,063,867</u>	<u>1,656,647</u>	<u>87,755</u>	<u>3,808,269</u>
<b>Net Assets</b>				
Investment in capital assets, net	2,639,280	11,260,279	-	13,899,559
Restricted				
Bond retirement/construction	-	4,604,305	-	4,604,305
Unrestricted	<u>1,334,572</u>	<u>939,060</u>	<u>158,741</u>	<u>2,432,373</u>
	<u>\$ 3,973,852</u>	<u>\$ 16,803,644</u>	<u>\$ 158,741</u>	<u>\$ 20,936,237</u>

The notes to the financial statements are an integral part of this statement.

**CHARTER TOWNSHIP OF PORT HURON**  
**St. Clair County, Michigan**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Water</u>	<u>Sewer</u>	<u>Refuse</u>	<u>Total</u>
<b>Operating Revenues:</b>				
User charges	\$ 1,350,627	\$ 1,147,620	\$ 403,890	\$ 2,902,137
Lateral fees	23,850	23,647	-	47,497
Other charges	10,641	13,846	9,425	33,912
	<u>1,385,118</u>	<u>1,185,113</u>	<u>413,315</u>	<u>2,983,546</u>
<b>Operating Expenses:</b>				
Salaries and wages	131,255	106,022	-	237,277
Fringe benefits	79,301	50,784	-	130,085
Supplies	57,810	7,984	1,761	67,555
Professional fees	12,918	18,322	500	31,740
Water, sewer and refuse charges	922,778	793,046	359,447	2,075,271
Repairs and maintenance	47,723	21,988	-	69,711
Depreciation/amortization	174,703	308,170	-	482,873
Utilities	27,099	23,590	-	50,689
Other	32,816	14,620	50	47,486
	<u>1,486,403</u>	<u>1,344,526</u>	<u>361,758</u>	<u>3,192,687</u>
Operating Income (Loss)	<u>( 101,285)</u>	<u>( 159,413)</u>	<u>51,557</u>	<u>( 209,141)</u>
<b>Non-Operating Revenues (Expenses):</b>				
Property taxes	-	333,426	-	333,426
Gain on disposal of capital asset	6,215	4,691	-	10,906
Special assessments and tap fees	35,350	253,595	-	288,945
Interest earned	22,619	159,884	2,490	184,993
Interest on bonds and paying agent fees	<u>( 72,968)</u>	<u>( 46,701)</u>	<u>-</u>	<u>( 119,669)</u>
	<u>( 8,784)</u>	<u>704,895</u>	<u>2,490</u>	<u>698,601</u>
Net Income (Loss)	<u>( 110,069)</u>	<u>545,482</u>	<u>54,047</u>	<u>489,460</u>
Net Assets at beginning of year	<u>4,083,921</u>	<u>16,258,162</u>	<u>104,694</u>	<u>20,446,777</u>
Net Assets at end of year	<u><u>\$ 3,973,852</u></u>	<u><u>\$ 16,803,644</u></u>	<u><u>\$ 158,741</u></u>	<u><u>\$ 20,936,237</u></u>

The notes to the financial statements are an integral part of this statement.

**CHARTER TOWNSHIP OF PORT HURON**  
**St. Clair County, Michigan**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

	Water	Sewer	Refuse	Total
<b>Cash Flows From Operating Activities:</b>				
Receipts from customers	\$ 1,301,335	\$ 1,109,093	\$ 402,242	\$ 2,812,670
Payments to suppliers	( 1,092,425)	( 769,255)	( 361,758)	( 2,223,438)
Payments to employees	( 210,404)	( 156,737)	-	( 367,141)
Other cash receipts (payments)	( 512)	106	-	( 406)
Net Cash Provided (Used) by Operating Activities	<u>( 2,006)</u>	<u>183,207</u>	<u>40,484</u>	<u>221,685</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>				
Bond payments	( 77,228)	( 152,459)	-	( 229,687)
Note payments	( 9,014)	-	-	( 9,014)
Due to/from other funds	817,647	( 808,495)	( 31,574)	( 22,422)
Acquisition and construction of capital assets	( 99,059)	( 850,167)	-	( 949,226)
Gain on disposal of capital asset	6,215	4,691	-	10,906
Special assessments and tap fees	45,580	198,767	-	244,347
Property taxes	-	320,799	-	320,799
Deferred revenue	-	12,627	919	13,546
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>684,141</u>	<u>( 1,274,237)</u>	<u>( 30,655)</u>	<u>( 620,751)</u>
<b>Cash Flows From Investing Activities:</b>				
Interest earned	<u>22,619</u>	<u>159,884</u>	<u>2,490</u>	<u>184,993</u>
Net Increase (Decrease) in Cash and Cash Equivalents for the year	704,754	( 931,146)	12,319	( 214,073)
Cash and Cash Equivalents at beginning of year	<u>537,510</u>	<u>5,845,804</u>	<u>89,412</u>	<u>6,472,726</u>
Cash and Cash Equivalents at end of year	<u><u>\$ 1,242,264</u></u>	<u><u>\$ 4,914,658</u></u>	<u><u>\$ 101,731</u></u>	<u><u>\$ 6,258,653</u></u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>				
Operating income (loss) for the year	\$( 101,285)	\$( 159,413)	\$ 51,557	\$( 209,141)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities -				
Depreciation and amortization	174,703	308,170	-	482,873
Changes in assets and liabilities -				
Receivables	( 83,783)	( 76,020)	( 11,073)	( 170,876)
Prepaid expenses	677	( 1,246)	-	( 569)
Payables	30,893	70,751	-	101,644
Due to other governmental units	<u>( 23,211)</u>	<u>40,965</u>	<u>-</u>	<u>17,754</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$( 2,006)</u></u>	<u><u>\$ 183,207</u></u>	<u><u>\$ 40,484</u></u>	<u><u>\$ 221,685</u></u>

The notes to the financial statements are an integral part of this statement.



**CHARTER TOWNSHIP OF PORT HURON**  
**St. Clair County, Michigan**

**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**DECEMBER 31, 2005**

	Agency Funds
	<hr/>
<b>ASSETS:</b>	
Cash and cash equivalents	\$ 1,454,626
	<hr/> <hr/>
 <b>LIABILITIES:</b>	
Due to component units	\$ 17,787
Undistributed taxes	1,436,839
	<hr/>
Total Liabilities	\$ 1,454,626
	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements.

# CHARTER TOWNSHIP OF PORT HURON

St. Clair County, Michigan

## COMBINING STATEMENT OF NET ASSETS DISCRETELY PRESENTED COMPONENT UNITS DECEMBER 31, 2005

	Downtown Development Authority	Economic Development Corporation	Brownfield Development Authority	Totals
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,808,783	\$ 26,297	\$ 49	\$ 1,835,129
Taxes receivable	1,160,148	-	-	1,160,148
Due from primary government	19,409	-	6,350	25,759
Capital Assets (net of accumulated depreciation)				
Assets being depreciated	6,626,209	-	-	6,626,209
	<u>9,614,549</u>	<u>26,297</u>	<u>6,399</u>	<u>9,647,245</u>
<b>LIABILITIES</b>				
Payables and current liabilities	97,065	-	-	97,065
Due to primary government	173,235	21,573	-	194,808
Deferred revenue	1,160,148	-	-	1,160,148
Accrued interest	27,768	-	-	27,768
Non-current liabilities				
Due within one year	545,000	-	-	545,000
Due in more than one year	2,960,000	-	-	2,960,000
	<u>4,963,216</u>	<u>21,573</u>	<u>-</u>	<u>4,984,789</u>
<b>Net Assets:</b>				
Invested in Capital Assets, net of related liabilities	3,121,209	-	-	3,121,209
Unrestricted	<u>1,530,124</u>	<u>4,724</u>	<u>6,399</u>	<u>1,541,247</u>
	<u>\$ 4,651,333</u>	<u>\$ 4,724</u>	<u>\$ 6,399</u>	<u>4,662,456</u>

**CHARTER TOWNSHIP OF PORT HURON**  
**St. Clair County, Michigan**

**COMBINING STATEMENT OF ACTIVITIES**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Downtown Development Authority</b>				
Governmental Activities				
Public Works	\$ 167,689	\$ -	\$ -	\$ -
Debt Service	174,482	-	-	-
	<u>342,171</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Economic Development Corporation</b>				
Governmental Activities				
Public Works	<u>1,970</u>	<u>4,000</u>	<u>-</u>	<u>-</u>
<b>Brownfield Redevelopment Authority</b>				
Governmental Activities				
Public Works	<u>47,607</u>			<u>47,274</u>
Total Component Units	<u>\$ 391,748</u>	<u>\$ 4,000</u>	<u>\$ -</u>	<u>\$ 47,274</u>

General revenues:

Property taxes

Unrestricted investment income

Total general revenues and transfers

Change in net assets

Net assets at beginning of year

Prior period adjustment

Net assets at beginning of year, as restated

Net assets at end of year

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Change in Net Assets

<u>Downtown Development Authority</u>	<u>Economic Development Corporation</u>	<u>Brownfield Redevelopment Authority</u>	<u>Total</u>
\$( 167,689)			
( 174,482)			
<u>( 342,171)</u>			\$( 342,171)
	<u>\$ 2,030</u>		2,030
		<u>\$( 333)</u>	( 333)
1,034,430	-	-	1,034,430
<u>35,230</u>	<u>672</u>	<u>219</u>	<u>36,121</u>
<u>1,069,660</u>	<u>672</u>	<u>219</u>	<u>1,070,551</u>
<u>727,489</u>	<u>2,702</u>	<u>( 114)</u>	<u>730,077</u>
3,842,364	2,022	6,513	3,850,899
<u>81,480</u>	<u>-</u>	<u>-</u>	<u>81,480</u>
<u>3,923,844</u>	<u>2,022</u>	<u>6,513</u>	<u>3,932,379</u>
<u>\$ 4,651,333</u>	<u>\$ 4,724</u>	<u>\$ 6,399</u>	<u>\$ 4,662,456</u>

# **CHARTER TOWNSHIP OF PORT HURON, MICHIGAN**

## **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005**

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

#### **A. Reporting Entity -**

The Charter Township of Port Huron, Michigan, a Municipal Corporation, was organized as a Township in 1827 and became a Charter Law Township on November 27, 1978, under Public Act 359, the Charter Township Act. The Township is one of twenty-three Townships in St. Clair County and covers an area of approximately 13 square miles. The Township operates under an elected Township Board which consists of a Supervisor, Clerk, Treasurer, and four (4) Trustees, and provides services to its more than 8,600 residents in many areas including law enforcement, fire protection, water, sewer, roads, parks and natural resources, and planning and economic development.

These financial statements present the Township and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operation. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate for the Township.

#### **DISCRETELY PRESENTED COMPONENT UNITS –**

**ECONOMIC DEVELOPMENT CORPORATION** – was incorporated under the provision of Act No. 338 of the Public Acts of 1974, as amended. Its purpose is to alleviate and prevent conditions of unemployment, to assist and retain local industry and commercial enterprises, to strengthen and revitalize the Township economy, to provide means and methods for encouragement and assistance to industrial and commercial enterprises, etc. The EDC is managed by its 13 member Board of Directors, which are appointed by the Supervisor with the advice and consent of the Township Board. The Corporation is financed primarily through user charges, rent and donations. The Corporation has the authority to issue revenue bonds, which are not backed by the Corporation or the Township, but rather the specific project for which they were issued. Since the EDC operates in conjunction and there is an interdependency between the two agencies, the Corporation is reported as a component unit.

**DOWNTOWN DEVELOPMENT AUTHORITY** - was created to halt property value deterioration, eliminate the cause of the deterioration, increase property tax valuation and promote economic growth. The Authority is under the supervision of the Board, with the nine member Board appointed by the Supervisor. The Authority is required to annually prepare and submit a budget to the Township Board.

**BROWNFIELD REDEVELOPMENT AUTHORITY** - was created to promote the revitalization of environmentally distressed areas. The Authority is under the supervision of the Board, with the eight to ten member Board appointed by the Supervisor and confirmed by the Township Board.

# CHARTER TOWNSHIP OF PORT HURON, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

#### **B. Government-wide and fund financial statements -**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

#### **C. Measurement focus, basis of accounting and financial statement presentation -**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year they are intended to finance (the December 2004 levy in 2005). Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. Therefore, agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgment are recorded only when payment is due.

# CHARTER TOWNSHIP OF PORT HURON, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

State shared revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and therefore have been recognized as revenues of the current fiscal period. Property taxes, which are levied and collected in December of each year, are budgeted and treated as revenue in the subsequent year. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township reports the following major governmental funds:

**General Fund** – is the Township’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Road Fund** – is a special revenue fund used to account for taxes and other related revenue restricted for road improvements in the Township.

**Police Fund** – is a special revenue fund used to account for a tax levy for the purpose of providing police protection for the Township.

**Transportation Fund** – is used to account for the millage and cost of providing transportation services.

The Township reports the following major proprietary fund:

**Water Fund** – is used to account for the purchase and distribution of water to residential and commercial users.

**Sewer Fund** – is used to account for sanitary sewer services provided to residential and commercial users.

**Refuse Fund** – is used to account for the operation and activities of garbage collection.

Additionally, the Township reports the following fund types:

**Special Revenue Funds** – are funds used to account for the proceeds of specific revenue sources requiring separate accounting because of legal or regulation provisions or administrative actions.

**Agency Funds** – are used account for assets held by the Township as an agent for other governments and other funds.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for this business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

# CHARTER TOWNSHIP OF PORT HURON, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenue and expenses for nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds principle on-going operations. The principle operating revenues of the Enterprise Fund are charges to customers for sale and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, the unrestricted resources, as they are needed.

#### **D. Assets, Liabilities and Net Assets or Equity -**

##### **Deposits and Investments –**

The Township's cash and cash equivalents are considered to be cash on hand and demand deposits. The investment trusts have the general characteristics of demand deposit accounts in that the Township may deposit additional cash at any time and effectively may withdraw cash at any time without prior notice or penalty, and are reported as cash and cash equivalents.

Investments are stated at fair value, which is determined as follows: (a) short-term investments are reported at cost, which approximates fair value; (b) securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates; (c) investments that do not have established market values are reported at estimated fair value; and (d) cash deposits are reported at carrying amount which reasonable approximates fair value.

State statutes authorize the Township to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments (except those with a fluctuating per share value).

##### **Receivables and Payables –**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".



# CHARTER TOWNSHIP OF PORT HURON, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectible.

#### **Prepaid Items –**

Certain payments to vendors reflect costs applicable to further accounting periods and are recorded as prepaid items.

#### **Property Tax Calendar –**

The Township's property tax is levied each December 1 on the taxable value of property located in the Township as if the proceeding December 31. Property taxes are recognized as revenues in the year they were intended to finance (the 2004 levy is recognized in 2005).

The Township also collects taxes for various other municipalities and school districts. The collection and remittance of these taxes are accounted for in the Tax Collection Fund.

#### **Capital Assets –**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of a year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

As permitted by GASB Statement No. 34, the Township has elected not to report governmental infrastructure assets (principally roads and sidewalks) acquired prior to January 1, 2004, except in the Downtown Development Authority.

Property, plant, and equipment of the primary government, is depreciated using the straight line method over the following estimated useful lives:

	<u>Primary Government</u>	<u>Component Unit</u>
Land improvements	20-30 years	- years
Buildings and improvements	5-50	-
Utility systems	40-60	-
Machinery and equipment	5-20	-
Shared street improvements	-	20
Storm Sewers	-	60
Street Lighting	-	60

# **CHARTER TOWNSHIP OF PORT HURON, MICHIGAN**

## **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005**

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):**

#### **Compensated Absences –**

The Township does not allow employees to accumulate vacation or sick time from year-to-year.

#### **Long-Term Obligations –**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net assets. Bond premiums and discounts, as well as issuance costs, if significant, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financial uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### **Fund Equity –**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

#### **Estimates –**

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:**

#### **Budgetary Information –**

The Township Supervisor and the Clerk prepare and submit the proposed operating budgets for the year commencing January 1. The budgets include proposed expenditures and resources to finance them.

# CHARTER TOWNSHIP OF PORT HURON, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005

### NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – (cont'd):

Prior to December 31, the proposed budget is presented to the Township Board. The Board holds a public hearing and may add to, subtract from, or change appropriations. The budget is then legally enacted through the passage of a Township Resolution. After the budget is adopted, all amendments must be approved by the Township Board.

The Township's approved budgets were adopted at the activity (department) level in the General Fund and the total expenditure level for the Special Revenue Fund. However, for control purposes all budgets are maintained at the object (account) level. These are the legally enacted levels under the State of Michigan Uniform Budgeting and Accounting Act.

The Township does not employ encumbrance accounting as an extension of formal budgetary integration. All annual appropriations lapse at year-end.

Michigan Public Act 621 of 1978, Section 18, as amended, provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated.

During the fiscal year ended December 31, 2005, the Township incurred expenditures in the General and Special Revenue Funds, which were in excess of the amount appropriated as follows:

<u>Function/Activity</u>	<u>Total Appropriations</u>	<u>Amount Expended</u>	<u>Budget Variance</u>
General Fund –			
General Government –			
Legislative	\$ 385,000	\$ 412,305	\$ 27,305
Supervisor	54,000	54,257	257
Treasurer	122,000	126,556	4,556
Township Hall	55,265	150,587	95,322
Planning Commission	43,000	51,198	8,198
Public Safety –			
Fire Department	487,000	548,900	61,900
Public Works –			
Department of Public Works	80,825	150,884	70,059
Street Lights	90,000	95,058	5,058
Drains	15,000	15,352	352
Police Fund –			
Public Safety	450,150	451,109	959
Liquor Control Fund –			
Public Safety	2,520	2,798	278
Transfers Out	2,000	2,592	592
Blue Water Area Transportation Fund –			
Public Works	160,000	161,707	1,707
Building Inspection Fund –			
Public Safety	192,000	206,198	14,198
Brownfield Development Authority Fund –			
Public Works	7,000	47,607	40,607

# CHARTER TOWNSHIP OF PORT HURON, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005

### NOTE 3 - DEPOSITS AND INVESTMENTS:

As of December 31, 2005, the carrying amount of the deposits and investments is as follows:

	Primary Government	Fiduciary Funds	Component Units	Total
Deposits -				
Cash on hand -				
Petty Cash	\$ 1,400	\$ -	\$ -	\$ 1,400
Deposits with Financial Institutions -				
Checking/Money Market	26,193	-	-	26,193
Savings/Certificates of Deposit	<u>88,287</u>	<u>-</u>	<u>-</u>	<u>88,287</u>
Total Deposits	115,880	-	-	115,880
Investments -				
Investment Trust Funds	<u>10,373,930</u>	<u>1,454,626</u>	<u>1,835,129</u>	<u>13,663,685</u>
	<u>\$ 10,489,810</u>	<u>\$ 1,454,626</u>	<u>\$ 1,835,129</u>	<u>\$ 13,779,565</u>
Reconciliation To Combined Balance Sheet				
Reported as Cash and Cash Equivalents -				
Petty Cash	\$ 1,400	\$ -	\$ -	\$ 1,400
Cash in Checking/Money Market	26,193	-	-	26,193
Cash in Savings/Certificate of Deposits	83,287	-	-	83,287
Investment Trust Funds	<u>10,373,930</u>	<u>1,454,626</u>	<u>1,835,129</u>	<u>13,663,685</u>
Total Cash and Cash Equivalents	10,484,810	1,454,626	1,835,129	13,774,565
Reported as Investments -				
Certificates of Deposits	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>5,000</u>
	<u>\$10,489,810</u>	<u>\$ 1,454,626</u>	<u>\$ 1,835,129</u>	<u>\$13,779,565</u>

The Township's investment policy primary objectives, in order of priority, are safety liquidity, diversification and return on investment. The Township Treasurer is responsible for the investment program.

*Custodial Credit Risk* – is the risk that in the event of a bank failure, the Township's deposit or investments may not be returned. The Township investment policy does not address credit risk.

*Interest Rate Risk* – is the risk that in the event that the market value of securities in the Township portfolio will fall due to changes in the market interest increases. The Township attempts to minimize interest rate by maintaining liquidity to meet all operating requirements without the need to sell securities prior to maturity and investing operating funds primarily in short-term securities, money markets mutual funds, or similar public investment pools.

*Credit Risk* – is the risk that in an issuer or other counterparty to an investment will not fulfill its obligation. State laws and Township policy limit the types of investments the Township can purchase.

*Concentration of Credit Risk* – is the risk of loss attributed to the magnitude of the Township's investment in a single issuer. The Township's policy specifies that investments will be diversified by security type and institution in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio, to the extent practicable.

# CHARTER TOWNSHIP OF PORT HURON, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005

### NOTE 3 – DEPOSITS AND INVESTMENTS – (cont'd):

#### Deposits –

The Township's investment policy and Act 217 PA 1982, as amended, authorizes the Township to deposit in certificates of deposit, savings accounts, depository accounts or depository receipts of a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act 105 of the Public Acts of 1855, as amended, being section 21.145 and 21.146 of the Michigan Compiled Laws.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured institution for savings and demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000.

As of December 31, 2005, the bank balance of the Township's deposits were \$758,791, of which \$188,287 was FDIC insured with the balance \$570,504 exposed to credit risk because they are uninsured and uncollateralized.

#### Investments –

Act 20 PA 1994 as amended by Act 1997 PA 1999 authorizes the Township to invest surplus funds in bonds, securities and other direct obligations or repurchase agreements consisting of these financial instruments of the United States government or an agency or instrumentality of the United States; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications by not less than two standard rating services, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of the political subdivisions that at the time of purchase are rated as investment grades by not less than one standard rating service, mutual funds registered under the investment company Act of 1940, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation, investment pools through an interlocal agreement under the Urban Cooperation Act of 1967, investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 3657, 129.111 to 129.118; investment pools organized under the local government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150.

As of December 31, 2005, the Township held investments in the following investment trust, which invested primarily in securities of the U.S. Government or its agencies, certificates of deposit, commercial paper, banker acceptance, etc:

<u>Account Name</u>	<u>Fair Market Value</u>	<u>Rating</u>	<u>Weighted Average Maturity</u>
Bank One – Governmental Operating Money Market	\$ 13,663,685	Not Rated	33 days

The investment trust has been reported in the financial statements as a cash equivalent since it has the general characteristics of demand deposit accounts in that the Township may deposit additional cash at any time and effectively may withdraw cash at any time without prior notice or penalty.

# CHARTER TOWNSHIP OF PORT HURON, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005

### NOTE 4 –TAXES:

The Township property taxes are levied each December on the assessed valuation of the property located in the Township as of the preceding December 31. On December 1, the property tax attachment is an enforceable lien on property and is payable by the last day of the following February.

Assessed values are established annually by the Township and are equalized by the State at an estimated percentage of the current market value. Real and personal property in the Township for the 2005 and 2004 levies have State Equalized Value (SEV) of \$295,219,250 and \$293,297,550, respectively, and a taxable value of \$256,172,815 and \$254,251,115, respectively.

The 2004 Levy, (2005 Revenue), the Township levied 1.0 mill for General Operations, .9892 mill for Road Repairs, .4945 mill for Fire Protection, .7632 mill for Public Bus Transportation, 1.9882 mill for Police Protection and 1.0 mill for Sewer. In addition, the Component Unit, Downtown Development Authority captures the increase in taxable value of property within the DDA District.

Taxes that are collected by the Township from the date of the levy to December 31, are retained in the Current Tax Collection Fund.

The County of St. Clair has established a Tax Collection Revolving Fund whereby all local units of government are paid for the delinquent real property taxes each year.

### NOTE 5 - RECEIVABLES:

Receivables in the governmental and business-type activities are as follows:

	Governmental Activities	Business-Type Activities
Taxes	\$ 1,330,753	\$ 242,422
Special Assessments	81,046	323,321
Accounts and Interest	108,318	1,063,164
Intergovernmental	<u>205,690</u>	<u>-</u>
	<u>\$ 1,725,807</u>	<u>\$ 1,628,907</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not earned or are received in advance of the period they are intended to finance. At the end of the current fiscal year the component of deferred revenue and unearned revenue reported in the governmental funds was as follows:

Governmental Type Activities -	Unavailable	Unearned
General Fund -		
Property Taxes	\$ -	\$ 410,787
Special Assessments	<u>13,258</u>	<u>-</u>
	<u>13,258</u>	<u>410,787</u>
Road Fund -		
Property Taxes	-	239,236
Special Assessments	<u>46,802</u>	<u>-</u>
	<u>46,802</u>	<u>239,236</u>

# CHARTER TOWNSHIP OF PORT HURON, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005

### NOTE 5 – RECEIVABLES – (cont'd):

	<u>Unavailable</u>	<u>Unearned</u>
Police Fund – Property Taxes	<u>-</u>	<u>436,368</u>
Park Fund – Tower Lease	<u>-</u>	<u>11,400</u>
Fire Fund – Property Taxes	<u>-</u>	<u>119,620</u>
Blue Water Area Transportation Fund – Property Taxes	<u>-</u>	<u>184,642</u>
Total Governmental Activities	60,060	1,402,053
<b>Business Type Activities -</b>		
Refuse Fund – Refuse Fees	<u>-</u>	<u>87,207</u>
	<u>\$ 60,060</u>	<u>\$ 1,489,260</u>

### NOTE 6 - INTERFUND RECEIVABLE, PAYABLE AND TRANSFERS:

The composition of interfund balances as of December 31, 2005:

#### Due To/From Other Funds –

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Road Fund	\$ 9,979
	Park Fund	22,108
	Cemetery Fund	2,356
	Fishing Derby Fund	264
	Liquor Fund	10
	Sewer Fund	45,107
	Water Fund	30,228
	Refuse Fund	548
Police Fund	General Fund	86,099
Cemetery Fund	Park Fund	1,403
	Museum Fund	723
	Perpetual Care Fund	397

# CHARTER TOWNSHIP OF PORT HURON, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005

### NOTE 6 - INTERFUND RECEIVABLE, PAYABLE AND TRANSFERS – (cont'd):

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Fishing Derby Fund	Park Fund	187
Museum Fund	General Fund	134
Building Inspection Fund	General Fund	60,181
Water Fund	Museum Fund	6,275
Sewer Fund	Water Fund	82,800
Refuse Fund	Water Fund	<u>47,168</u>
		<u>\$ 395,967</u>

### Due From/To Primary Government and Component Units –

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Economic Development Corporation	\$ 21,573
Sewer Fund	Downtown Development Authority	173,235
Brownfield Redevelopment Authority	General Fund	6,350
Downtown Development Authority	General Fund	1,622
	Current Tax Fund	<u>17,787</u>
		<u>\$ 220,567</u>

### Transfers From/To Other Funds –

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Park Fund	\$ 15,000
Police Fund	Liquor Fund	2,592
Cemetery Fund	Perpetual Care Fund	558
Fishing Derby Fund	Park Fund	<u>1,000</u>
Total Transfers		<u>\$ 19,150</u>



# CHARTER TOWNSHIP OF PORT HURON, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005

### NOTE 7 – CAPITAL ASSETS:

#### Primary Government

Capital asset activity of the primary government for the year ended December 31, 2005 was as follows:

	Jan. 1, 2005 <u>Balance</u>	<u>Additions</u>	Deletions/ <u>Adjustments</u>	Dec. 31, 2005 <u>Balance</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 622,680	\$ 145,352	\$ 1	\$ 768,031
Capital assets, being depreciated:				
Land improvements	528,888	163,187	-	692,075
Shared road system	-	100,507	-	100,507
Buildings and improvements	1,485,227	21,338	-	1,506,565
Machinery and equipment	<u>974,474</u>	<u>86,336</u>	<u>3,868</u>	<u>1,056,942</u>
Total capital assets being depreciated	<u>2,988,589</u>	<u>371,368</u>	<u>3,868</u>	<u>3,356,089</u>
Less accumulated depreciation for:				
Land improvements	236,791	23,159	-	259,950
Building and improvements	714,363	30,808	-	745,171
Machinery and equipment	<u>588,154</u>	<u>56,273</u>	<u>3,868</u>	<u>640,559</u>
Total accumulated depreciation	<u>1,539,308</u>	<u>110,240</u>	<u>3,868</u>	<u>1,645,680</u>
Total capital assets being depreciated, net	<u>1,449,281</u>	<u>261,128</u>	<u>-</u>	<u>1,710,409</u>
Governmental activities capital assets, net	<u>\$ 2,071,961</u>	<u>\$ 406,480</u>	<u>\$ 1</u>	<u>\$ 2,478,440</u>
<b>Business Type Activities:</b>				
Capital assets, not being depreciated:				
Construction in progress	\$ 48,702	\$ 588,622	\$ -	\$ 637,324
Land	<u>82,062</u>	<u>-</u>	<u>-</u>	<u>82,062</u>
	<u>130,764</u>	<u>588,622</u>	<u>-</u>	<u>719,386</u>
Capital assets, being depreciated:				
Mains and extensions	23,332,503	57,389	-	23,389,892
Equipment	<u>415,335</u>	<u>307,768</u>	<u>15,195</u>	<u>707,908</u>
Total capital assets being depreciated	<u>23,747,838</u>	<u>365,157</u>	<u>15,195</u>	<u>24,097,800</u>
Less accumulated depreciation for:				
Mains and extensions	7,555,586	440,659	-	7,996,245
Equipment	<u>298,979</u>	<u>39,934</u>	<u>10,641</u>	<u>328,272</u>
Total accumulated depreciation	<u>7,854,565</u>	<u>480,593</u>	<u>10,641</u>	<u>8,324,517</u>
Total capital assets being depreciated, net	<u>15,893,273</u>	<u>( 115,436)</u>	<u>4,554</u>	<u>15,773,283</u>
Business-type activities capital assets, net	<u>\$ 16,024,037</u>	<u>\$ 473,186</u>	<u>\$ 4,554</u>	<u>\$ 16,492,669</u>

# CHARTER TOWNSHIP OF PORT HURON, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005

### NOTE 7 – CAPITAL ASSETS – (cont'd):

#### Discretely Presented Component Units –

Downtown Development Authority – Activity for the Downtown Development Authority for the year ended December 31, 2005 was as follows:

	Jan. 1, 2005 <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	Dec. 31, 2005 <u>Balance</u>
Capital assets, being depreciated:				
Shared street improvements	\$ 200,409	\$ -	\$ -	\$ 200,409
Storm sewer	6,663,223	-	-	6,663,223
Street lighting	<u>-</u>	<u>446,358</u>	<u>-</u>	<u>446,358</u>
	<u>6,863,632</u>	<u>446,358</u>	<u>-</u>	<u>7,309,990</u>
Less accumulated depreciation for:				
Shared street improvements	5,010	5,010	-	10,020
Storm sewer	555,269	111,053	-	666,322
Street lighting	<u>-</u>	<u>7,439</u>	<u>-</u>	<u>7,439</u>
	<u>560,279</u>	<u>123,502</u>	<u>-</u>	<u>683,781</u>
Downtown Development Authority capital assets, net	<u>\$ 6,303,353</u>	<u>\$ 322,856</u>	<u>\$ -</u>	<u>\$ 6,626,209</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General Government	\$ 28,143
Public Safety	41,465
Public Works	9,767
Recreation and Culture	<u>30,865</u>
Total depreciation expense-governmental activities	<u>\$ 110,240</u>
Business-type activities:	
Water	\$ 173,990
Sewer	<u>306,603</u>
Total depreciation expense – business activities	<u>\$ 480,593</u>
Component Units	
Capital assets, being depreciated:	<u>\$ 123,502</u>

# CHARTER TOWNSHIP OF PORT HURON, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005

### NOTE 8 – LONG-TERM DEBT:

#### Primary Government -

The following is a summary of changes in the long-term debt (including current portion) of the Township for the year ended December 31, 2005:

	Balance Jan. 1, 2005	Additions	Reductions	Balance Dec. 31, 2005	Due Within One Year
<u>Governmental Activities -</u>					
Notes Payable – Building	\$ 145,200	\$ -	\$ -	\$ 145,200	\$ 145,200
Lease Purchase – Fire Truck	<u>85,776</u>	<u>-</u>	<u>85,776</u>	<u>-</u>	<u>-</u>
	<u>230,976</u>	<u>-</u>	<u>85,776</u>	<u>145,200</u>	<u>145,200</u>
<u>Business-type Funds -</u>					
General Obligation Bonds -					
1996 Sewage Disposal System	\$ 210,000	-	65,000	145,000	70,000
2002 Water System	890,000	-	35,000	855,000	35,000
2003 Water System	725,000	-	-	725,000	55,000
2004 Sewage Disposal System	900,000	-	30,000	870,000	30,000
Revenue Bonds -					
1997 C Revenue Bonds	<u>50,000</u>	<u>-</u>	<u>10,000</u>	<u>40,000</u>	<u>15,000</u>
	<u>2,775,000</u>	<u>-</u>	<u>140,000</u>	<u>2,635,000</u>	<u>205,000</u>
Total Primary Government	<u>\$ 3,005,976</u>	<u>\$ -</u>	<u>\$ 225,776</u>	<u>\$ 2,780,200</u>	<u>\$ 350,200</u>

#### Bonds Payable -

#### Sewage Disposal System:

The Charter Township of Port Huron has two Sewage Disposal System General Obligation Bonds issues and one Revenue Bond issue outstanding at December 31, 2005, for which the proceeds were used for construction of a Sewage Collection System.

On March 23, 1989, the Charter Township of Port Huron issued \$270,000 in Special Assessment Refunding Bonds with an average interest rate of 7.290 percent to advance refunding \$442,000 of outstanding 1986 Special Assessment Bonds with an average interest rate of 6.375 percent. The net proceeds of \$264,084 (after payment of \$5,916 in underwriting fees, insurance and other issuance cost) plus an additional \$93,501 of available money and accrued interest was used to retire the 1986 Special Assessment Bonds. The advance refunding resulted in the recognition of an accounting gain of \$85,535 for the year ended December 31, 1989. Also the Township refunded in advance the 1986 Special Assessment Bond to reduce the aggregate debt service payment by \$297,598 over the next 26 years and obtain an economic gain (difference between the present value of debt service payments on the old and new debt) of \$56,876.

# CHARTER TOWNSHIP OF PORT HURON, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005

### NOTE 8 – LONG-TERM DEBT – (cont'd):

During 1997 the 1989 Special Assessment Refunding Bond was refunded in advance to reduce the interest rate, therefore obtaining an economic gain of \$10,318 (difference between the present value of debt service payments on the old and new debt). The new issue is a Revenue Bond, Series 1997 dated October 16, 1997.

It is the intention of the Township to pay the Sewage Disposal System Bonds from special assessments, capital charges, and quarterly service charges against benefited customers and to the extent necessary from an at-large tax levy.

The Sewage Disposal System General Obligation Bonds, dated December 1, 1996, (Original Issue \$600,000) are due in annual installments ranging from \$70,000 to \$75,000 through May 1, 2007, with interest ranging from 4.95 to 5.10 percent, payable semi-annually. \$ 145,000

The Series 1997C Revenue Sharing Bonds dated October 16, 1997, (original issue \$145,000) are due in annual installments ranging from \$5,000 to \$15,000 through November 1, 2009, with interest of 7.50 payable semi-annually. 40,000

The Sewage Disposal System General Obligation Bonds, dated November 1, 2004, (original issue \$900,000) are due in annual installments ranging from \$35,000 to \$70,000 through November 1, 2024, with interest ranging from 3.10 to 4.60 payable semi-annually. 870,000  
\$ 1,055,000

### Water Supply System:

The Charter Township of Port Huron has two General Obligation Bonds issue outstanding at December 31, 2005, from which the proceeds were used for water system improvements and expansion.

The General Obligation Limited Tax Bonds, dated November 4, 2002, (Original Issue \$950,000) are due in annual installments ranging from \$35,000 to \$70,000 through November 1, 2022, with interest ranging from 4.0% to 5.25% payable semi-annually. \$ 855,000

# CHARTER TOWNSHIP OF PORT HURON, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005

### NOTE 8 – LONG-TERM DEBT – (cont'd):

The General Obligation Limited Tax Bonds, dated February 1, 2003 (Original Issue \$750,000) are due in annual installments ranging from \$30,000 to \$55,000 through November 1, 2022, with interest ranging from 2.75% to 5.00% payable semi-annually

725,000

\$ 1,580,000

### Notes Payable -

On September 20, 1999, the Township purchased a building for \$198,000. The amount is due in fifteen (15) annual principal installments of \$13,200, plus interest of 5.4 percent, payable semi-annually, through March 30, 2014. The balance was subsequently paid in full during March 2006.

\$ 145,200

### Annual Debt Requirements:

The annual requirements to pay the debt outstanding at December 31, 2005 are as follows:

Year	General Obligation Bonds		Revenue Bonds		Notes/Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 190,000	\$ 111,050	\$ 15,000	\$ 3,000	\$ 39,600	\$ 6,059
2007	170,000	104,250	10,000	1,875	13,200	5,346
2008	95,000	99,033	10,000	1,125	13,200	4,633
2009	105,000	95,653	5,000	375	13,200	3,920
2010	110,000	91,773	-	-	13,200	3,208
2011-2015	625,000	389,418	-	-	52,800	5,702
2016-2020	795,000	238,875	-	-	-	-
2021-2024	<u>505,000.</u>	<u>49,068</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,595,000</u>	<u>\$1,179,120</u>	<u>\$ 40,000</u>	<u>\$ 6,375</u>	<u>\$ 145,200</u>	<u>\$ 28,868</u>

### COMPONENT UNITS (Downtown Development Authority) -

The following is a summary of changes in the long-term debt (including current portion) of the Component Unit of the Township for the year ended December 31, 2005:

	Balance Jan. 1, 2005	Additions	Reductions	Balance Dec. 31, 2005	Due Within One Year
-					
<u>Bonds Payable -</u>					
1997 Downtown Development Bonds	\$ 1,000,000	\$ -	\$ -	\$ 1,000,000	\$ -
1998 Downtown Development Refunding Bonds	<u>3,010,000</u>	<u>-</u>	<u>505,000</u>	<u>2,505,000</u>	<u>545,000</u>
	<u>\$ 4,010,000</u>	<u>\$ -</u>	<u>\$ 505,000</u>	<u>\$ 3,505,000</u>	<u>\$ 545,000</u>

# CHARTER TOWNSHIP OF PORT HURON, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005

### NOTE 8 – LONG-TERM DEBT – (cont'd):

On December 22, 1997 the Township issued \$1,000,000 in State Sharing Revenue Bonds for the purpose of acquiring, constructing and furnishing improvements in the Downtown Development Area of the Township. The bonds are issued in anticipation of the collection of, and are primarily payable from the tax increment revenue. In addition, if the tax increment revenues are insufficient for any reason, the Township shall make such payments from its General Fund. The bonds are due in annual installments ranging from \$125,000 to \$200,000 through November 1, 2015, with interest ranging from 5.0 to 5.3 percent payable semi-annually. Principal payments begin on November 1, 2010.

\$ 1,000,000

On June 2, 1998 the Township issued \$4,085,000 in General Obligation Limited Tax Refunding Bonds to advance refund a portion of the 1994 General Obligation Bonds, dated December 1, 1994, of \$3,600,000. The net proceeds after deducting issuance cost were deposited in an escrow account and used to purchase U.S. Government Securities. Accordingly, the trust account assets and liabilities of the defeased bond issue are not included in the Township's financial statements. At December 31, 2005, \$2,400,000 of the debt "in substance" remains outstanding. The advance refunding resulted in an economic gain (difference between present value of the debt service payments on the old and new debt) of \$133,430. The bonds are due in annual installments of \$545,000 to \$730,000 through May 1, 2009, with interest ranging between 4.50 to 4.65 percent, payable semi-annually.

2,505,000

\$ 3,505,000

### Annual Debt Requirements –

The annual requirements to pay the debt outstanding for the Downtown Development Authority are as follows:

Year	1997 Bonds		1998 Bonds	
	Principal	Interest	Principal	Interest
2006	\$ -	\$ 51,850	\$ 545,000	\$ 102,495
2007	-	51,850	585,000	76,924
2008	-	51,850	645,000	48,780
2009	-	51,850	730,000	16,973
2010	125,000	51,850	-	-
2011-2015	<u>875,000</u>	<u>128,713</u>	-	-
	<u>\$1,000,000</u>	<u>\$ 387,963</u>	<u>\$ 2,505,000</u>	<u>\$ 245,172</u>

# **CHARTER TOWNSHIP OF PORT HURON, MICHIGAN**

## **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005**

### **NOTE 8 – LONG-TERM DEBT – (cont'd):**

#### **Economic Development Corporation:**

The primary purpose of the Port Huron Township Economic Development Corporation is to undertake any actions or projects, which will, in the opinion of the Board of Directors, aid or assist the economic development of Port Huron Township, Michigan. In connection, the Corporation entered into a contract with Baker College of Port Huron. Under the contract, the Corporation issued limited obligation bonds, dated April 1, 1999, for \$1,600,000 with interest of 4.69% per annum with a maturity date of May 1, 2006 and the proceeds are used to finance a project benefiting the commercial enterprise. Baker College of Port Huron makes payments equal to the net revenues from the project and are collateralized by a mortgage on the project and the lease contract. Upon full payment of the bonds, the ownership of the project is transferred to the Baker College of Port Huron.

Since the bonds are not a general obligation of the Economic Development Corporation or Port Huron Township and are payable solely from the related project, the bond and related contract have not been reflected in the financial statements of the Township.

### **NOTE 9 - SEWAGE DISPOSAL SYSTEM AGREEMENT:**

The Charter Township of Port Huron does not own a sewage disposal plant; however the Township entered into an agreement with the City of Port Huron to acquire sewage disposal services. The agreement provides, among other things, that the City shall reserve 13.35% of its sewage plant capacity for the Township for which the Township has made a lump sum payment. Further, the Township shall reimburse the City for its respective share of the annual operating costs, including capital purchases and debt retirement.

In connection, the City of Port Huron has issued \$10,220,000 of bonds to make improvements and renovations to the plant. As noted above, the cost to repay these bonds are included in the annual operation cost from the City. Should the Township terminate the contract, the Township would be responsible for their share of the outstanding bonds, which at December 31, 2005, would amount to \$1,256,180.

### **NOTE 10 - WATER SUPPLY SYSTEM AGREEMENT:**

The Charter Township of Port Huron does not own a water filtration plant; instead the Township has entered into an agreement with the City of Port Huron to provide the Township's water supply. Under an agreement, dated December 31, 1987, the Township agreed to purchase its present and future water requirements from the City of Port Huron. The agreement is for an indefinite period of time but at least for a period of thirty years from April 1, 1991, at such rates as the City may establish and is reasonable, plus a meter service charge.

# CHARTER TOWNSHIP OF PORT HURON, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005

### NOTE 11 – DEFINED CONTRIBUTION PENSION PLAN:

The Township provides pension benefits to substantially all full-time employees through a deferred contribution plan. In a deferred contribution plan, benefits depend solely on amounts contributed to the plan plus any investment earnings. The Township contributes 10% of the employee's base compensation. In addition, each employee can make non-deductible, voluntary contributions of up to 10% of base compensation. All contributions, both employer and employee, become 100% vested at the time of the contribution.

For the year ended December 31, 2005, the Township contributed \$71,765, and the employees contributed \$15,630.

### NOTE 12 – RESTRICTED ASSETS:

The restricted assets of \$20,875 in the Cemetery Perpetual Care Fund are for perpetual care. The restricted assets of \$4,845,406 in the Sewer Fund are for capital improvements/debt retirement.

### NOTE 13 - RESERVED/DESIGNATED FUND BALANCE/RETAINED EARNINGS:

#### Reserved Fund Balance/Retained Earnings -

Fund Balance/Retained Earnings has been reserved in the various fund types to indicate that a portion of the Fund Balance/Retained Earnings is not available but reserved for specific purposes:

<u>Fund Type/Fund</u>	<u>Description</u>	<u>Amount</u>
Fund Balance -		
General Fund	Prepaid Expenditures	\$ 22,296
Park Fund	County Millage	159,237
Cemetery Perpetual Care Fund	Perpetual Care	20,478
Building Inspection Fund	Prepaid Expenditures	<u>1,790</u>
		<u>\$ 203,801</u>
Retained Earnings -		
Sewer Fund	Bond Retirement/Construction	<u>\$ 4,472,505</u>

### NOTE 14 – RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, injuries to employees, medical benefits provided to employees, etc. The Township has purchased insurance coverage for each of these types of losses; however, the Township would be responsible should the limit of coverage's be exceeded.

### NOTE 15 – SUBSEQUENT EVENT:

On April 20, 2006, the Township issued General Obligation Limited Tax Bonds in the amount of \$975,000 with interest of 4.0%-5.0%, payable semi-annually through November 1, 2026.

### NOTE 16 – PRIOR PERIOD ADJUSTMENT:

A prior period adjustment of \$81,480 was made to the Downtown Development Authority to reflect the return of excess capture in the tax year that it relates.



## **REQUIRED SUPPLEMENTARY INFORMATION**

**CHARTER TOWNSHIP OF PORT HURON****St. Clair County, Michigan****GENERAL FUND****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****BUDGET AND ACTUAL****FOR THE YEAR ENDED DECEMBER 31, 2005**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 509,500	\$ 509,500	\$ 510,109	\$ 609
Licenses and permits	2,500	2,500	4,690	2,190
Intergovernmental	631,000	631,000	769,730	138,730
Charges for services	145,600	145,600	121,633	( 23,967)
Fines and forfeits	800	800	2,384	1,584
Interest and rent	50,100	50,100	133,127	83,027
Other revenues	4,500	4,500	20,887	16,387
Total Revenues	<u>1,344,000</u>	<u>1,344,000</u>	<u>1,562,560</u>	<u>218,560</u>
<b>Expenditures:</b>				
General Government -				
Legislative	147,600	385,000	412,305	( 27,305)
Supervisor	47,750	54,000	54,257	( 257)
Elections	22,050	10,000	8,531	1,469
Assessor	110,950	110,950	103,216	7,734
Clerk	62,910	62,910	62,383	527
Board of Review	3,100	3,100	2,171	929
Treasurer	116,500	122,000	126,556	( 4,556)
Township Hall	32,965	55,265	150,587	( 95,322)
Rental Property	48,200	48,200	18,833	29,367
Planning Commission	35,025	43,000	51,198	( 8,198)
	<u>627,050</u>	<u>894,425</u>	<u>990,037</u>	<u>( 95,612)</u>
Public Safety -				
Fire Department	425,800	487,000	548,900	( 61,900)
Demolitions	7,200	7,200	5,350	1,850
	<u>433,000</u>	<u>494,200</u>	<u>554,250</u>	<u>( 60,050)</u>
Public Works -				
Department of Public Works	80,825	80,825	150,884	( 70,059)
Street Lights	77,000	90,000	95,058	( 5,058)
Drains	35,000	15,000	15,352	( 352)
	<u>192,825</u>	<u>185,825</u>	<u>261,294</u>	<u>( 75,469)</u>
Health and Welfare -				
Ambulance Service	15,000	15,000	3,670	11,330

Continued

**CHARTER TOWNSHIP OF PORT HURON****St. Clair County, Michigan****GENERAL FUND****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****BUDGET AND ACTUAL****FOR THE YEAR ENDED DECEMBER 31, 2005**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Expenditures - (cont'd):</b>				
Recreation and Cultural - Parks and Recreation	\$ 35,000	\$ 35,000	\$ 31,048	\$ 3,952
Debt Service	45,000	93,000	92,407	593
Total Expenditures	1,347,875	1,717,450	1,932,706	( 215,256)
Excess of revenues over (under) expenditures	( 3,875)	( 373,450)	( 370,146)	3,304
<b>Other Financing Sources (Uses):</b>				
Transfers In	4,000	4,000	15,000	11,000
Excess of revenues and other sources over (under) expenditures and other uses	125	( 369,450)	( 355,146)	14,304
Fund Balance at beginning of year	3,016,896	3,016,896	3,016,896	-
Fund Balance at end of year	\$ 3,017,021	\$ 2,647,446	\$ 2,661,750	\$ 14,304

Concluded

**CHARTER TOWNSHIP OF PORT HURON****St. Clair County, Michigan****ROAD FUND****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****BUDGET AND ACTUAL****FOR THE YEAR ENDED DECEMBER 31, 2005**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 220,000	\$ 220,000	\$ 227,298	\$ 7,298
Interest	5,000	5,000	17,425	12,425
Other Revenues				
Special assessments	20,000	20,000	17,765	( 2,235)
Other	-	-	61,675	61,675
	<u>245,000</u>	<u>245,000</u>	<u>324,163</u>	<u>79,163</u>
<b>Expenditures:</b>				
Public works				
Contracted services	<u>245,000</u>	<u>245,000</u>	<u>171,320</u>	<u>73,680</u>
Excess of revenues over expenditures	-	-	152,843	152,843
Fund Balance at beginning of year	<u>435,403</u>	<u>435,403</u>	<u>435,403</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 435,403</u></u>	<u><u>\$ 435,403</u></u>	<u><u>\$ 588,246</u></u>	<u><u>\$ 152,843</u></u>

**CHARTER TOWNSHIP OF PORT HURON**  
**St. Clair County, Michigan**

**POLICE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 445,000	\$ 445,000	\$ 456,738	\$ 11,738
Interest on investment	1,150	1,150	3,508	2,358
	<u>446,150</u>	<u>446,150</u>	<u>460,246</u>	<u>14,096</u>
<b>Expenditures:</b>				
Public Safety -				
Contracted services	<u>450,150</u>	<u>450,150</u>	<u>451,109</u>	<u>( 959)</u>
Excess of revenues over (under)				
expenditures	( 4,000)	( 4,000)	9,137	13,137
<b>Other Financing Sources:</b>				
Transfers In	<u>4,000</u>	<u>4,000</u>	<u>2,592</u>	<u>( 1,408)</u>
Excess of revenues and other sources				
over expenditures	-	-	11,729	11,729
Fund Balance at beginning of year	<u>26,128</u>	<u>26,128</u>	<u>26,128</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 26,128</u></u>	<u><u>\$ 26,128</u></u>	<u><u>\$ 37,857</u></u>	<u><u>\$ 11,729</u></u>

**CHARTER TOWNSHIP OF PORT HURON****St. Clair County, Michigan****BLUE WATER AREA TRANSPORTATION FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 160,000	\$ 160,000	\$ 189,958	\$ 29,958
Interest	-	-	6,351	6,351
	<u>160,000</u>	<u>160,000</u>	<u>196,309</u>	<u>36,309</u>
<b>Expenditures:</b>				
Public Works - Transportation	<u>160,000</u>	<u>160,000</u>	<u>161,707</u>	<u>( 1,707)</u>
Excess of revenues over expenditures	-	-	34,602	34,602
Fund Balance at beginning of year	<u>111,009</u>	<u>111,009</u>	<u>111,009</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 111,009</u></u>	<u><u>\$ 111,009</u></u>	<u><u>\$ 145,611</u></u>	<u><u>\$ 34,602</u></u>

## **SUPPLEMENTARY INFORMATION**

**CHARTER TOWNSHIP OF PORT HURON**  
**St. Clair County, Michigan**

**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2005**

		Special Revenue Funds			
		Cemetery	Park	Fishing Derby	Liquor Control
<b>ASSETS</b>					
<b>Current assets -</b>					
Cash and cash equivalents		\$ 3,714	\$ 211,553	\$ 343	\$ 1,660
Receivables -					
Current and delinquent property taxes		-	-	-	-
Prepaid expenditures		-	-	-	-
Due from other funds		2,523	-	187	-
		<u>6,237</u>	<u>211,553</u>	<u>530</u>	<u>1,660</u>
<b>Restricted assets -</b>					
Cash and cash equivalents		-	-	-	-
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets		<u>\$ 6,237</u>	<u>\$ 211,553</u>	<u>\$ 530</u>	<u>\$ 1,660</u>
<b>LIABILITIES AND FUND BALANCE</b>					
<b>Liabilities:</b>					
Accounts payable		\$ 528	\$ 1,116	\$ -	\$ 172
Accrued liabilities		79	211	-	-
Deposits payable		-	-	-	-
Due to other funds		2,356	23,698	264	10
Deferred revenue		-	11,400	-	-
Total Liabilities		<u>2,963</u>	<u>36,425</u>	<u>264</u>	<u>182</u>
<b>Fund Balance:</b>					
Reserved -					
Prepaid expenditures		-	-	-	-
County millage		-	159,237	-	-
Perpetual Care		-	-	-	-
Unreserved -					
Undesignated		3,274	15,891	266	1,478
Total Fund Balance		<u>3,274</u>	<u>175,128</u>	<u>266</u>	<u>1,478</u>
Total Liabilities and Fund Balance		<u>\$ 6,237</u>	<u>\$ 211,553</u>	<u>\$ 530</u>	<u>\$ 1,660</u>



				Permanent Fund		
Museum	Building Inspection	Fire	Department of Public Safety	Cemetery Perpetual Care	Total	
\$ 44,487	\$ 267,600	\$ -	\$ 5,200	\$ -	\$ 534,557	
-	-	119,620	-	-	119,620	
-	1,790	-	-	-	1,790	
134	60,181	-	-	-	63,025	
44,621	329,571	119,620	5,200	-	718,992	
-	-	-	-	20,875	20,875	
\$ 44,621	\$ 329,571	\$ 119,620	\$ 5,200	\$ 20,875	\$ 739,867	
\$ 107	\$ 432	\$ -	\$ -	\$ -	\$ 2,355	
-	3,931	-	-	-	4,221	
-	36,412	-	-	-	36,412	
6,998	-	-	-	397	33,723	
-	-	119,620	-	-	131,020	
7,105	40,775	119,620	-	397	207,731	
-	1,790	-	-	-	1,790	
-	-	-	-	-	159,237	
-	-	-	-	20,478	20,478	
37,516	287,006	-	5,200	-	350,631	
37,516	288,796	-	5,200	20,478	532,136	
\$ 44,621	\$ 329,571	\$ 119,620	\$ 5,200	\$ 20,875	\$ 739,867	

# CHARTER TOWNSHIP OF PORT HURON

St. Clair County, Michigan

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2005

	Special Revenue Funds			
	Cemetery	Parks	Fishing Derby	Liquor Control
<b>Revenues:</b>				
Licenses and permits	\$ -	\$ -	\$ -	\$ -
Intergovernmental -				
State	-	-	-	4,811
Local	-	8,167	-	-
Charges for services	8,460	100,592	-	-
Interest and rent	521	31,109	19	67
Other	-	2,810	1,130	-
Total Revenues	<u>8,981</u>	<u>142,678</u>	<u>1,149</u>	<u>4,878</u>
<b>Expenditures:</b>				
Current -				
General Government	18,918	-	-	-
Public Safety	-	-	-	2,798
Recreation and Cultural	-	110,057	2,630	-
Total Expenditures	<u>18,918</u>	<u>110,057</u>	<u>2,630</u>	<u>2,798</u>
Excess of revenues over (under) expenditures	<u>( 9,937)</u>	<u>32,621</u>	<u>( 1,481)</u>	<u>2,080</u>
<b>Other Financing Sources (Uses):</b>				
Transfers In	558	-	1,000	-
Transfers Out	-	( 16,000)	-	( 2,592)
	<u>558</u>	<u>( 16,000)</u>	<u>1,000</u>	<u>( 2,592)</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>( 9,379)</u>	<u>16,621</u>	<u>( 481)</u>	<u>( 512)</u>
Fund Balances at beginning of year	<u>12,653</u>	<u>158,507</u>	<u>747</u>	<u>1,990</u>
Fund Balances at end of year	<u>\$ 3,274</u>	<u>\$ 175,128</u>	<u>\$ 266</u>	<u>\$ 1,478</u>

				Permanent Fund	
Museum	Building Inspection	Fire	Department of Public Safety	Cemetery Perpetual Care	Total
\$ -	\$ 163,554	\$ -	\$ -	\$ -	\$ 163,554
-	-	-	-	-	4,811
8,167	-	-	-	-	16,334
-	-	-	-	-	109,052
667	8,086	-	103	558	41,130
20,000	5,040	-	2,125	130	31,235
28,834	176,680	-	2,228	688	366,116
-	-	-	-	-	18,918
-	206,198	-	-	-	208,996
13,151	-	-	-	-	125,838
13,151	206,198	-	-	-	353,752
15,683	( 29,518)	-	2,228	688	12,364
-	-	-	-	-	1,558
-	-	-	-	( 558)	( 19,150)
-	-	-	-	( 558)	( 17,592)
15,683	( 29,518)	-	2,228	130	( 5,228)
21,833	318,314	-	2,972	20,348	537,364
\$ 37,516	\$ 288,796	\$ -	\$ 5,200	\$ 20,478	\$ 532,136

**CHARTER TOWNSHIP OF PORT HURON**  
**St. Clair County, Michigan**

**CEMETERY FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenues:</b>				
Charges for services -				
Sale of lots/niches	\$ 11,000	\$ 11,000	\$ 4,160	\$( 6,840)
Grave openings	10,000	10,000	4,300	( 5,700)
Interest and rent -				
Interest	100	100	121	21
Rent	1,000	1,000	400	( 600)
	<u>22,100</u>	<u>22,100</u>	<u>8,981</u>	<u>( 13,119)</u>
<b>Expenditures:</b>				
General Government -				
Salaries and wages	7,500	7,500	8,236	( 736)
Fringe benefits and payroll taxes	950	950	931	19
Supplies	575	575	743	( 168)
Professional fees	600	600	500	100
Telephone	300	300	346	( 46)
Utilities	500	500	919	( 419)
Printing and publishing	200	200	498	( 298)
Repairs and maintenance	5,000	5,000	1,815	3,185
Gasoline and oil	1,300	1,300	1,899	( 599)
Insurance	3,000	3,000	2,907	93
Other	2,375	2,375	124	2,251
	<u>22,300</u>	<u>22,300</u>	<u>18,918</u>	<u>3,382</u>
Excess of revenues under expenditures	( 200)	( 200)	( 9,937)	( 9,737)
<b>Other Financing Sources:</b>				
Operating transfers in	<u>200</u>	<u>200</u>	<u>558</u>	<u>358</u>
Excess of revenues and other sources under expenditures	-	-	( 9,379)	( 9,379)
Fund Balance at beginning of year	<u>12,653</u>	<u>12,653</u>	<u>12,653</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 12,653</u>	<u>\$ 12,653</u>	<u>\$ 3,274</u>	<u>\$( 9,379)</u>

# CHARTER TOWNSHIP OF PORT HURON

St. Clair County, Michigan

## PARK FUND

### SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

#### BUDGET AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenues:</b>				
Intergovernmental -				
Local	\$ 34,000	\$ 34,000	\$ 8,167	\$( 25,833)
Charges for services -				
Tourist accommodations	100,000	100,000	100,592	592
Interest and rent -				
Interest earned	1,000	1,000	2,906	1,906
Rentals	18,700	18,700	28,203	9,503
Other -				
Miscellaneous	800	800	2,810	2,010
	<u>154,500</u>	<u>154,500</u>	<u>142,678</u>	<u>( 11,822)</u>
<b>Expenditures:</b>				
Recreation and Cultural -				
Salaries and wages	37,000	37,000	35,142	1,858
Fringe benefits and payroll taxes	4,300	4,300	4,060	240
Telephone	1,200	1,200	1,198	2
Supplies	6,400	6,400	5,445	955
Professional fees	4,000	4,000	868	3,132
Utilities	20,000	20,000	25,462	( 5,462)
Repairs and maintenance	11,000	11,000	17,315	( 6,315)
Gasoline	2,000	2,000	2,481	( 481)
Capital outlay	55,000	55,000	10,623	44,377
Insurance	6,000	6,000	6,183	( 183)
Other	6,600	6,600	1,280	5,320
	<u>153,500</u>	<u>153,500</u>	<u>110,057</u>	<u>43,443</u>
Excess of revenues over expenditures	<u>1,000</u>	<u>1,000</u>	<u>32,621</u>	<u>31,621</u>
<b>Other Financing Uses:</b>				
Operating transfers out -				
General Fund	-	-	15,000	15,000
Fishing Derby Fund	1,000	1,000	1,000	-
	<u>1,000</u>	<u>1,000</u>	<u>16,000</u>	<u>15,000</u>
Excess of revenues over expenditures and other uses	-	-	16,621	16,621
Fund Balance at beginning of year	<u>158,507</u>	<u>158,507</u>	<u>158,507</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 158,507</u>	<u>\$ 158,507</u>	<u>\$ 175,128</u>	<u>\$ 16,621</u>

**CHARTER TOWNSHIP OF PORT HURON**

**St. Clair County, Michigan**

**FISHING DERBY FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

**BUDGET AND ACTUAL**

**FOR THE YEAR ENDED DECEMBER 31, 2005**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenues:</b>				
Interest and rent -				
Interest earned	-	-	\$ 19	\$ 19
Other	-	-	1,130	1,130
	<u>-</u>	<u>-</u>	<u>1,149</u>	<u>1,149</u>
<b>Expenditures:</b>				
Recreation and Cultural -				
Supplies	3,000	3,000	2,593	407
Other	1,000	1,000	37	963
	<u>4,000</u>	<u>4,000</u>	<u>2,630</u>	<u>1,370</u>
Excess of revenues over (under) expenditures	( 4,000)	( 4,000)	( 1,481)	2,519
<b>Other Financing Sources:</b>				
Operating transfers in	<u>4,000</u>	<u>4,000</u>	<u>1,000</u>	<u>( 3,000)</u>
Excess of revenues and other sources under expenditures	-	-	( 481)	( 481)
Fund Balance at beginning of year	<u>747</u>	<u>747</u>	<u>747</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 747</u>	<u>\$ 747</u>	<u>\$ 266</u>	<u>\$( 481)</u>

**CHARTER TOWNSHIP OF PORT HURON****St. Clair County, Michigan****LIQUOR CONTROL FUND****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****BUDGET AND ACTUAL****FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget Positive (Negative)</u>
<b>Revenues:</b>				
Intergovernmental -				
State	\$ 4,500	\$ 4,500	\$ 4,811	\$ 311
Interest earned	20	20	67	47
	<u>4,520</u>	<u>4,520</u>	<u>4,878</u>	<u>358</u>
<b>Expenditures:</b>				
Public Safety -				
Salaries and wages	2,000	2,000	2,210	( 210)
Miscellaneous	520	520	588	( 68)
	<u>2,520</u>	<u>2,520</u>	<u>2,798</u>	<u>( 278)</u>
Excess of revenues over expenditures	2,000	2,000	2,080	80
<b>Other Financing Uses:</b>				
Operating transfers out	<u>2,000</u>	<u>2,000</u>	<u>2,592</u>	<u>( 592)</u>
Excess of revenues under expenditures and other uses	-	-	( 512)	( 512)
Fund Balance at beginning of year	<u>1,990</u>	<u>1,990</u>	<u>1,990</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 1,990</u>	<u>\$ 1,990</u>	<u>\$ 1,478</u>	<u>\$( 512)</u>

**CHARTER TOWNSHIP OF PORT HURON****St. Clair County, Michigan****MUSEUM FUND****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****BUDGET AND ACTUAL****FOR THE YEAR ENDED DECEMBER 31, 2005**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenues:</b>				
Intergovernmental -				
Local	\$ -	\$ -	\$ 8,167	\$ 8,167
Interest	250	250	667	417
Donations	6,500	6,500	20,000	13,500
	<u>6,750</u>	<u>6,750</u>	<u>28,834</u>	<u>22,084</u>
<b>Expenditures:</b>				
Recreation and Cultural -				
Supplies	300	1,300	1,144	156
Repairs and Maintenance	50	12,550	4,033	8,517
Capital outlay	2,000	2,150	6,916	( 4,766)
Other	1,300	1,200	1,058	142
	<u>3,650</u>	<u>17,200</u>	<u>13,151</u>	<u>4,049</u>
Excess of revenues over (under) expenditures	3,100	( 10,450)	15,683	26,133
<b>Other Financing Sources:</b>				
Transfer in General Fund	1,000	1,000	-	( 1,000)
Excess of revenues and other sources over (under) expenditures	4,100	( 9,450)	15,683	25,133
Fund Balance at beginning of year	<u>21,833</u>	<u>21,833</u>	<u>21,833</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 25,933</u>	<u>\$ 12,383</u>	<u>\$ 37,516</u>	<u>\$ 25,133</u>



**CHARTER TOWNSHIP OF PORT HURON****St. Clair County, Michigan****BUILDING INSPECTIONS FUND****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****BUDGET AND ACTUAL****FOR THE YEAR ENDED DECEMBER 31, 2005**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenues:</b>				
Licenses and permits -				
Building permits	\$ 83,000	\$ 83,000	\$ 94,989	\$ 11,989
Electrical permits	35,000	35,000	29,333	( 5,667)
Mechanical permits	30,000	30,000	23,498	( 6,502)
Plumbing permits	20,000	20,000	15,734	( 4,266)
Interest	2,000	2,000	8,086	6,086
Other	2,500	2,500	5,040	2,540
	<u>172,500</u>	<u>172,500</u>	<u>176,680</u>	<u>4,180</u>
<b>Expenditures:</b>				
Public Safety -				
Salaries	122,000	126,800	129,298	( 2,498)
Fringe benefits and payroll taxes	36,150	36,150	29,615	6,535
Telephone	1,000	1,000	1,488	( 488)
Supplies	2,700	3,000	4,571	( 1,571)
Transportation	3,600	3,600	2,707	893
Publishing and printing	50	50	829	( 779)
Professional fees	2,000	2,000	1,566	434
Capital outlay	-	14,700	29,071	( 14,371)
Insurance	3,000	3,000	3,330	( 330)
Other	2,000	1,700	3,723	( 2,023)
	<u>172,500</u>	<u>192,000</u>	<u>206,198</u>	<u>( 14,198)</u>
Excess of revenues under expenditures	-	( 19,500)	( 29,518)	( 10,018)
Fund Balance at beginning of year	<u>318,314</u>	<u>318,314</u>	<u>318,314</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 318,314</u>	<u>\$ 298,814</u>	<u>\$ 288,796</u>	<u>\$ ( 10,018)</u>

**CHARTER TOWNSHIP OF PORT HURON**  
**St. Clair County, Michigan**

**DEPARTMENT OF PUBLIC SAFETY FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

<b>Revenues:</b>	
Interest	\$ 103
Other	<u>2,125</u>
Excess of revenues over expenditures	2,228
Fund Balance at beginning of year	<u>2,972</u>
Fund Balance at end of year	<u><u>\$ 5,200</u></u>

**CHARTER TOWNSHIP OF PORT HURON**

**St. Clair County, Michigan**

**COMBINING SCHEDULE OF WATER FUND NET ASSETS**

**DECEMBER 31, 2005**

	WSSR Fund #591	Water Const. FmHA Fund #592	Water Debt Retirement #593	Water Debt Retirement #594
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 1,112,921	\$ 21,621	\$ 103,422	\$ 4,300
Investments	5,000	-	-	-
Receivables -				
Utilities	508,645	-	-	-
Special assessments	16,263	-	36,011	-
Due from other funds	146,564	-	-	-
Prepaid expenses	3,981	-	-	-
	<u>1,793,374</u>	<u>21,621</u>	<u>139,433</u>	<u>4,300</u>
<b>Utility System:</b>				
Land	10,980	71,082	-	-
Mains and extensions	4,468,409	1,672,806	-	-
Equipment	185,773	-	-	-
	<u>4,665,162</u>	<u>1,743,888</u>	<u>-</u>	<u>-</u>
Less - accumulated depreciation	<u>(2,077,786)</u>	<u>(124,097)</u>	<u>-</u>	<u>-</u>
	<u>2,587,376</u>	<u>1,619,791</u>	<u>-</u>	<u>-</u>
<b>Other Assets:</b>				
Unamortized bond costs	-	12,113	-	-
	<u>-</u>	<u>12,113</u>	<u>-</u>	<u>-</u>
Total Assets	<u>4,380,750</u>	<u>1,653,525</u>	<u>139,433</u>	<u>4,300</u>
<b>LIABILITIES</b>				
<b>Current Liabilities:</b>				
Payables -				
Accounts	54,184	-	-	-
Accrued salaries	4,355	-	-	-
Deposits	25,476	-	-	-
Due to other governmental units	196,792	-	-	-
Due to other funds	129,968	78,885	91,632	-
Accrued interest	-	42,864	-	-
Bonds payable	-	90,000	-	-
	<u>410,775</u>	<u>211,749</u>	<u>91,632</u>	<u>-</u>
<b>Long-Term Liabilities:</b>				
Bonds payable (net of current portion)	-	1,490,000	-	-
	<u>410,775</u>	<u>1,701,749</u>	<u>91,632</u>	<u>-</u>
<b>Net Assets</b>				
Investment in capital assets, net	2,587,376	51,904	-	-
Unrestricted	1,382,599	(100,128)	47,801	4,300
	<u>\$ 3,969,975</u>	<u>\$ (48,224)</u>	<u>\$ 47,801</u>	<u>\$ 4,300</u>

Total	Consolidating Adjustments		Consolidating Total
	DR	CR	
\$ 1,242,264	\$ -	\$ -	\$ 1,242,264
5,000	-	-	5,000
508,645	-	-	508,645
52,274	-	-	52,274
146,564	-	140,289	6,275
3,981	-	-	3,981
<u>1,958,728</u>	<u>-</u>	<u>140,289</u>	<u>1,818,439</u>
82,062	-	-	82,062
6,141,215	-	-	6,141,215
185,773	-	-	185,773
<u>6,409,050</u>	<u>-</u>	<u>-</u>	<u>6,409,050</u>
<u>(2,201,883)</u>	<u>-</u>	<u>-</u>	<u>(2,201,883)</u>
<u>4,207,167</u>	<u>-</u>	<u>-</u>	<u>4,207,167</u>
12,113	-	-	12,113
<u>6,178,008</u>	<u>-</u>	<u>140,289</u>	<u>6,037,719</u>
54,184	-	-	54,184
4,355	-	-	4,355
25,476	-	-	25,476
196,792	-	-	196,792
300,485	140,289	-	160,196
42,864	-	-	42,864
90,000	-	-	90,000
<u>714,156</u>	<u>140,289</u>	<u>-</u>	<u>573,867</u>
1,490,000	-	-	1,490,000
<u>2,204,156</u>	<u>140,289</u>	<u>-</u>	<u>2,063,867</u>
2,639,280	-	-	2,639,280
<u>1,334,572</u>	<u>-</u>	<u>-</u>	<u>1,334,572</u>
<u>\$ 3,973,852</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,973,852</u>

# CHARTER TOWNSHIP OF PORT HURON

St. Clair County, Michigan

## COMBINING SCHEDULE OF WATER FUND REVENUES, EXPENSES AND CHANGES IN NET ASSETS DECEMBER 31, 2005

	WSSR Fund #591	Water Const. FmHA Fund #592	Water Debt Retirement #593	Water Debt Retirement #594	Total
<b>Operating Revenues:</b>					
User charges	\$ 1,350,627	\$ -	\$ -	\$ -	\$ 1,350,627
Lateral Fees	23,850	-	-	-	23,850
Other charges	10,641	-	-	-	10,641
	<u>1,385,118</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,385,118</u>
<b>Operating Expenses:</b>					
Salaries and wages	131,255	-	-	-	131,255
Fringe benefits	79,301	-	-	-	79,301
Supplies	57,810	-	-	-	57,810
Professional fees	12,918	-	-	-	12,918
Water charges	922,778	-	-	-	922,778
Repairs and maintenance	47,723	-	-	-	47,723
Depreciation/amortization	132,121	42,582	-	-	174,703
Utilities	27,099	-	-	-	27,099
Other	32,816	-	-	-	32,816
	<u>1,443,821</u>	<u>42,582</u>	<u>-</u>	<u>-</u>	<u>1,486,403</u>
Operating Income (Loss)	<u>(58,703)</u>	<u>(42,582)</u>	<u>-</u>	<u>-</u>	<u>(101,285)</u>
<b>Non-Operating Revenues (Expenses):</b>					
Gain on disposal of capital assets	6,215	-	-	-	6,215
Special assessments and tap fees	35,350	-	-	-	35,350
Interest earned	16,316	568	5,623	112	22,619
Interest on bonds and paying agent fee	(310)	(72,658)	-	-	(72,968)
	<u>57,571</u>	<u>(72,090)</u>	<u>5,623</u>	<u>112</u>	<u>(8,784)</u>
<b>Net Income (Loss) before transfers:</b>	(1,132)	(114,672)	5,623	112	(110,069)
<b>Transfers:</b>					
Transfer in/out	<u>(76,916)</u>	<u>76,916</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Income (Loss)</b>	(78,048)	(37,756)	5,623	112	(110,069)
Net Assets at beginning of year	<u>4,048,023</u>	<u>(10,468)</u>	<u>42,178</u>	<u>4,188</u>	<u>4,083,921</u>
Net Assets at end of year	<u>\$ 3,969,975</u>	<u>\$ (48,224)</u>	<u>\$ 47,801</u>	<u>\$ 4,300</u>	<u>\$ 3,973,852</u>

**CHARTER TOWNSHIP OF PORT HURON**  
**St. Clair County, Michigan**

**COMBINING SCHEDULE OF SEWER FUNDS NET ASSETS**  
**DECEMBER 31, 2005**

	Sewer Operating #570	Sewer Improvement #571	Sewer Debt FMHA #573	Sewer SP Assess #574	Sewer Redemption #576
<b>ASSETS</b>					
<b>Current Assets:</b>					
Cash and cash equivalents	\$ 589,061	\$ -	\$ -	\$ -	\$ -
Receivables -					
Utilities	456,922	-	-	-	-
Special assessments	3,949	-	-	-	-
Due from other funds	169,305	-	-	-	-
Due from component unit	197,466	-	-	-	-
Prepaid expenses	3,928	-	-	-	-
	<u>1,420,631</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Restricted Assets:</b>					
Cash and cash equivalents	-	870,709	255,458	912,306	221,726
Receivables -					
Taxes	-	-	-	-	-
Special assessments/Tap-ins	-	2,267	54,051	-	20,265
Due from other funds	-	1,498,552	28,519	-	36,894
	<u>-</u>	<u>2,371,528</u>	<u>338,028</u>	<u>912,306</u>	<u>278,885</u>
<b>Fixed Assets:</b>					
Construction in progress	-	-	-	-	-
Mains and extensions	17,248,677	-	-	-	-
Equipment	522,135	-	-	-	-
	<u>17,770,812</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Less - accumulated depreciation	( 6,122,634)	-	-	-	-
	<u>11,648,178</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other Assets:</b>					
Unamortized bond costs	-	-	-	29,777	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,777</u>	<u>-</u>
<b>Total Assets</b>	<u>13,068,809</u>	<u>2,371,528</u>	<u>338,028</u>	<u>942,083</u>	<u>278,885</u>
<b>LIABILITIES</b>					
<b>Current Liabilities:</b>					
Accounts payable	4,118	-	-	-	-
Accrued salaries	2,315	-	-	-	-
Deposits	2,169	-	-	-	-
Due to other governmental units	175,037	-	-	-	-
Due to other funds	297,932	-	-	-	-
	<u>481,571</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Current Liabilities - (Payable from restricted assets):</b>					
Accounts payable	-	-	-	-	-
Bonds payable (current portion)	-	-	15,000	30,000	-
Due to other funds	-	15,000	26,782	36,400	32,487
Due to component units	-	-	11,182	-	-
Accrued interest	-	-	317	5,795	-
Deferred revenue	-	-	-	-	-
	<u>-</u>	<u>15,000</u>	<u>53,281</u>	<u>72,195</u>	<u>32,487</u>
<b>Long Term Liabilities:</b>					
Bonds payable	-	-	25,000	840,000	-
	<u>481,571</u>	<u>15,000</u>	<u>78,281</u>	<u>912,195</u>	<u>32,487</u>
<b>NET ASSETS</b>					
Investment in capital assets, net	11,648,178	-	( 40,000)	( 840,223)	-
Restricted - Debt retirement/construction	-	2,356,528	299,747	870,111	246,398
Unrestricted	939,060	-	-	-	-
	<u>\$ 12,587,238</u>	<u>\$ 2,356,528</u>	<u>\$ 259,747</u>	<u>\$ 29,888</u>	<u>\$ 246,398</u>

1996 Construction #578	1999 San. Sewer #579	Total	Consolidating Adjustments		Final Balance
			Dr	Cr	
\$ -	\$ -	\$ 589,061	\$ 121,025	\$ 252,825	\$ 457,261
-	-	456,922	-	-	456,922
-	-	3,949	-	-	3,949
-	-	169,305	-	96,794	72,511
-	-	197,466	-	24,231	173,235
-	-	3,928	-	-	3,928
-	-	1,420,631	121,025	373,850	1,167,806
757,064	1,308,334	4,325,597	252,825	121,025	4,457,397
-	242,422	242,422	-	-	242,422
-	190,515	267,098	-	-	267,098
-	18,804	1,582,769	-	1,572,480	10,289
757,064	1,760,075	6,417,886	252,825	1,693,505	4,977,206
-	637,324	637,324	-	-	637,324
-	-	17,248,677	-	-	17,248,677
-	-	522,135	-	-	522,135
-	637,324	18,408,136	-	-	18,408,136
-	-	( 6,122,634)	-	-	( 6,122,634)
-	637,324	12,285,502	-	-	12,285,502
-	-	29,777	-	-	29,777
757,064	2,397,399	20,153,796	373,850	2,067,355	18,460,291
-	-	4,118	-	-	4,118
-	-	2,315	-	-	2,315
-	-	2,169	-	-	2,169
-	-	175,037	-	-	175,037
-	-	297,932	252,825	-	45,107
-	-	481,571	252,825	-	228,746
-	123,152	123,152	-	-	123,152
70,000	-	115,000	-	-	115,000
67,738	1,238,042	1,416,449	1,416,449	-	-
13,049	-	24,231	24,231	-	-
1,215	-	7,327	-	-	7,327
-	242,422	242,422	-	-	242,422
152,002	1,603,616	1,928,581	1,440,680	-	487,901
75,000	-	940,000	-	-	940,000
227,002	1,603,616	3,350,152	1,693,505	-	1,656,647
( 145,000)	637,324	11,260,279	-	-	11,260,279
675,062	156,459	4,604,305	-	-	4,604,305
-	-	939,060	-	-	939,060
\$ 530,062	\$ 793,783	\$ 16,803,644	\$ 1,693,505	\$ 2,067,355	\$ 16,803,644

**CHARTER TOWNSHIP OF PORT HURON**  
**St. Clair County, Michigan**

**COMBINING SCHEDULE OF SEWER FUNDS REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS  
DECEMBER 31, 2005**

	Sewer Operating #570	Sewer Improvement #571	Sewer Debt FMHA #573	Sewer SP Assess #574	Sewer Redemption #576
<b>Operating Revenue:</b>					
User charges	\$ 1,147,620	\$ -	\$ -	\$ -	\$ -
Lateral fees	2,100	-	-	-	-
Other charges	13,846	-	-	-	-
	<u>1,163,566</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Operating Expenses:</b>					
Salaries and wages	106,022	-	-	-	-
Fringe benefits	50,784	-	-	-	-
Supplies	7,984	-	-	-	-
Professional fees	11,612	-	-	-	-
Sewer charges	793,046	-	-	-	-
Repairs and maintenance	21,988	-	-	-	-
Depreciation/amortization	306,603	-	-	1,567	-
Utilities	23,590	-	-	-	-
Other	12,705	-	-	-	-
	<u>1,334,334</u>	<u>-</u>	<u>-</u>	<u>1,567</u>	<u>-</u>
Operating Income (Loss)	<u>( 170,768)</u>	<u>-</u>	<u>-</u>	<u>( 1,567)</u>	<u>-</u>
<b>Non-Operating Revenue (Expenses):</b>					
Gain on disposal of capital asset	4,691	-	-	-	-
Property taxes	-	-	-	-	-
Special assessments and tap fees		253,595	-	-	-
Interest earned	35,827	22,717	11,525	23,802	7,652
Interest on bonds	-	-	( 2,287)	( 35,773)	-
	<u>40,518</u>	<u>276,312</u>	<u>9,238</u>	<u>( 11,971)</u>	<u>7,652</u>
<b>Net Income ( Loss) before transfers</b>	<u>( 130,250)</u>	<u>276,312</u>	<u>9,238</u>	<u>( 13,538)</u>	<u>7,652</u>
<b>Transfers:</b>					
Transfer in	1,301,381	-	-	65,928	-
Transfers out	( 17,553)	-	-	-	-
	<u>1,283,828</u>	<u>-</u>	<u>-</u>	<u>65,928</u>	<u>-</u>
<b>Net Income (Loss)</b>	<u>1,153,578</u>	<u>276,312</u>	<u>9,238</u>	<u>52,390</u>	<u>7,652</u>
Net Assets at beginning of year	<u>11,433,660</u>	<u>2,080,216</u>	<u>250,509</u>	<u>( 22,502)</u>	<u>238,746</u>
Net Assets at end of year	<u>\$ 12,587,238</u>	<u>\$ 2,356,528</u>	<u>\$ 259,747</u>	<u>\$ 29,888</u>	<u>\$ 246,398</u>



1996 Construction #578	1999 San. Sewer #579	Total	Consolidating Adjustments		Final Balance
			Dr	Cr	
\$ -	\$ -	\$ 1,147,620	\$ -	\$ -	\$ 1,147,620
-	21,547	23,647	-	-	23,647
-	-	13,846	-	-	13,846
-	21,547	1,185,113	-	-	1,185,113
-	-	106,022	-	-	106,022
-	-	50,784	-	-	50,784
-	-	7,984	-	-	7,984
-	6,710	18,322	-	-	18,322
-	-	793,046	-	-	793,046
-	-	21,988	-	-	21,988
-	-	308,170	-	-	308,170
-	-	23,590	-	-	23,590
-	1,915	14,620	-	-	14,620
-	8,625	1,344,526	-	-	1,344,526
-	12,922	( 159,413)	-	-	( 159,413)
-	-	4,691	-	-	4,691
229,769	103,657	333,426	-	-	333,426
-	-	253,595	-	-	253,595
18,465	39,896	159,884	-	-	159,884
( 8,641)	-	( 46,701)	-	-	( 46,701)
239,593	143,553	704,895	-	-	704,895
239,593	156,475	545,482	-	-	545,482
7,793	9,760	1,384,862	1,293,056	-	91,806
( 197,770)	( 1,169,539)	( 1,384,862)	-	1,293,056	( 91,806)
( 189,977)	( 1,159,779)	-	1,293,056	1,293,056	-
49,616	( 1,003,304)	545,482	1,293,056	1,293,056	545,482
480,446	1,797,087	16,258,162	-	-	16,258,162
\$ 530,062	\$ 793,783	\$ 16,803,644	\$ 1,293,056	\$ 1,293,056	\$ 16,803,644

## **FIDUCIARY FUNDS**

**CHARTER TOWNSHIP OF PORT HURON**  
**St. Clair County, Michigan**

**AGENCY FUNDS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

	Balance January 1, 2005	Additions	Deductions	Balance December 31, 2005
<b>TOTAL ALL AGENCY FUNDS</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 2,224,610	\$ 8,812,318	\$ 9,582,302	\$ 1,454,626
<b>Liabilities:</b>				
Due to component units	\$ 17,787	-	-	\$ 17,787
Undistributed taxes and interest	2,206,823	8,771,567	9,541,551	1,436,839
	\$ 2,224,610	\$ 8,771,567	\$ 9,541,551	\$ 1,454,626

**CHARTER TOWNSHIP OF PORT HURON**  
**St. Clair County, Michigan**

**AGENCY FUNDS**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

	Balance January 1, 2005	Additions	Deductions	Balance December 31, 2005
<b>CURRENT TAX COLLECTION FUND</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 2,113,189	\$ 8,675,337	\$ 9,486,866	\$ 1,301,660
<b>Liabilities:</b>				
Due to component units	17,787	-	-	17,787
Undistributed taxes and interest	2,095,402	8,634,586	9,446,115	1,283,873
	<u>\$ 2,113,189</u>	<u>\$ 8,634,586</u>	<u>\$ 9,446,115</u>	<u>\$ 1,301,660</u>

**OTHER TAX COLLECTION FUND**

<b>Assets:</b>				
Cash and cash equivalents	\$ 111,421	\$ 136,981	\$ 95,436	\$ 152,966
<b>Liabilities:</b>				
Undistributed taxes	\$ 111,421	\$ 136,981	\$ 95,436	\$ 152,966

## **COMPONENT UNITS**

# CHARTER TOWNSHIP OF PORT HURON

St. Clair County, Michigan

## COMBINING BALANCE SHEET DISCRETELY PRESENTED COMPONENT UNITS DECEMBER 31, 2005

	Downtown Development Authority			Total Downtown Development Authority
	Special Revenue	Debt Service	Capital Projects	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,647,882	\$ -	\$ 160,901	\$ 1,808,783
Taxes receivable	1,160,148	-	-	1,160,148
Due from primary government	42,018	-	20,680	62,698
Due from component units	-	-	298,236	298,236
	<u>\$ 2,850,048</u>	<u>\$ -</u>	<u>\$ 479,817</u>	<u>\$ 3,329,865</u>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 4,869	\$ -	\$ -	\$ 4,869
Due to other governmental units	92,196	-	-	92,196
Due to component units	298,236	-	-	298,236
Due to primary government	212,391	-	4,133	216,524
Deferred revenue	1,160,148	-	-	1,160,148
	<u>1,767,840</u>	<u>-</u>	<u>4,133</u>	<u>1,771,973</u>
<b>Fund Balance:</b>				
Unreserved -				
Undesignated	<u>1,082,208</u>	<u>-</u>	<u>475,684</u>	<u>1,557,892</u>
	<u>\$ 2,850,048</u>	<u>\$ -</u>	<u>\$ 479,817</u>	<u>\$ 3,329,865</u>

<u>Economic Development Corporation</u>	<u>Brownfield Development Authority</u>	<u>Total</u>
\$ 26,297	\$ 49	\$ 1,835,129
-	-	1,160,148
-	6,350	69,048
-	-	298,236
<u>\$ 26,297</u>	<u>\$ 6,399</u>	<u>\$ 3,362,561</u>

\$ -	\$ -	\$ 4,869
-	-	92,196
-	-	298,236
21,573	-	238,097
-	-	1,160,148
<u>21,573</u>	<u>-</u>	<u>1,793,546</u>

<u>4,724</u>	<u>6,399</u>	<u>1,569,015</u>
<u>\$ 26,297</u>	<u>\$ 6,399</u>	<u>\$ 3,362,561</u>

**CHARTER TOWNSHIP OF PORT HURON**

**St. Clair County, Michigan**

**RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS  
DISCRETELY PRESENTED COMPONENT UNITS  
DECEMBER 31, 2005**

Fund Balances - total governmental funds		\$	1,569,015
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			
Capital assets			7,309,990
Accumulated depreciation		(	683,781)
Long - term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Bonds payable	(	3,505,000)	
Accrued interest	(	<u>27,768</u>	<u>( 3,532,768)</u>
Net Assets of governmental activities		\$	<u><u>4,662,456</u></u>



# CHARTER TOWNSHIP OF PORT HURON

St. Clair County, Michigan

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - DISCRETELY PRESENTED COMPONENT UNITS FOR THE YEAR ENDED DECEMBER 31, 2005

	Downtown Development Authority			Total Downtown Development Authority
	Special Revenue	Debt Service	Capital Projects	
<b>Revenues:</b>				
Taxes	\$ 1,034,430	\$ -	\$ -	\$ 1,034,430
Intergovernmental	-	-	-	-
Interest and rent -				
Rent	-	-	-	-
Interest	31,033	-	4,197	35,230
	<u>1,065,463</u>	<u>-</u>	<u>4,197</u>	<u>1,069,660</u>
<b>Expenditures:</b>				
Public Works	490,545	-	-	490,545
Debt Service -				
Principal	-	505,000	-	505,000
Interest	-	178,270	-	178,270
	<u>490,545</u>	<u>683,270</u>	<u>-</u>	<u>1,173,815</u>
Excess of revenues over (under) expenditures	574,918	( 683,270)	4,197	( 104,155)
<b>Other Financing Sources (Uses):</b>				
Operating transfers in (out )	<u>( 683,270)</u>	<u>683,270</u>	<u>-</u>	<u>-</u>
Excess of revenues and other sources over expenditures and other uses	<u>( 108,352)</u>	<u>-</u>	<u>4,197</u>	<u>( 104,155)</u>
Fund Balances at beginning of year	1,109,080	-	471,487	1,580,567
Prior period adjustment	<u>81,480</u>	<u>-</u>	<u>-</u>	<u>81,480</u>
Fund Balance at beginning of year, as restated	<u>1,190,560</u>	<u>-</u>	<u>471,487</u>	<u>1,662,047</u>
Fund Balances at end of year	<u>\$ 1,082,208</u>	<u>\$ -</u>	<u>\$ 475,684</u>	<u>\$ 1,557,892</u>

<u>Economic Development Corporation</u>	<u>Brownfield Redevelopment Authority</u>	<u>Total</u>
\$ -	\$ -	\$ 1,034,430
-	47,274	47,274
4,000	-	4,000
672	219	36,121
<u>4,672</u>	<u>47,493</u>	<u>1,121,825</u>
1,970	47,607	540,122
-	-	505,000
-	-	178,270
<u>1,970</u>	<u>47,607</u>	<u>1,223,392</u>
2,702	( 114)	( 101,567)
<u>-</u>	<u>-</u>	<u>-</u>
<u>2,702</u>	<u>( 114)</u>	<u>( 101,567)</u>
2,022	6,513	1,589,102
-	-	81,480
<u>2,022</u>	<u>6,513</u>	<u>1,670,582</u>
<u>\$ 4,724</u>	<u>\$ 6,399</u>	<u>\$ 1,569,015</u>

**CHARTER TOWNSHIP OF PORT HURON**

**St. Clair County, Michigan**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
DISCRETELY PRESENTED COMPONENT UNITS  
DECEMBER 31, 2005**

Net change in fund balances - total governmental funds			\$( 101,567)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.			
Capital outlay			446,358
Depreciation expense		(	123,502)
Repayment of the principal of long-term debt consumes the current financial resources of governmental funds, however has no effect on net assets.			
Principal payments on long term liabilities	505,000		
Decrease in accrued interest	<u>3,788</u>		<u>508,788</u>
Change in net assets of governmental activities			<u><u>\$ 730,077</u></u>

**CHARTER TOWNSHIP OF PORT HURON**  
**St. Clair County, Michigan**

**DOWNTOWN DEVELOPMENT AUTHORITY**  
**SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 1,000,000	\$ 1,000,000	\$ 1,034,430	\$ 34,430
Interest	15,000	15,000	31,033	16,033
	<u>1,015,000</u>	<u>1,015,000</u>	<u>1,065,463</u>	<u>50,463</u>
<b>Expenditures:</b>				
Public Works-				
Salaries and fringes	30,000	30,000	30,147	( 147)
Supplies	2,000	2,000	728	1,272
Professional fees	6,000	6,000	5,872	128
Street lighting	-	-	449,750	( 449,750)
Other	-	-	4,048	( 4,048)
	<u>38,000</u>	<u>38,000</u>	<u>490,545</u>	<u>( 452,545)</u>
Excess of revenues over (under) expenditures	977,000	977,000	574,918	( 402,082)
<b>Other Financing (Uses):</b>				
Operating transfers out	<u>( 645,000)</u>	<u>( 645,000)</u>	<u>( 683,270)</u>	<u>( 38,270)</u>
Excess of revenues over (under) expenditures and other uses	<u>332,000</u>	<u>332,000</u>	<u>( 108,352)</u>	<u>( 440,352)</u>
Fund Balance at beginning of year	1,109,080	1,109,080	1,109,080	-
Prior period adjustment	<u>-</u>	<u>-</u>	<u>81,480</u>	<u>81,480</u>
Fund Balance at beginning of year, as restated	<u>1,109,080</u>	<u>1,109,080</u>	<u>1,190,560</u>	<u>81,480</u>
Fund Balance at end of year	<u>\$ 1,441,080</u>	<u>\$ 1,441,080</u>	<u>\$ 1,082,208</u>	<u>\$( 358,872)</u>

**CHARTER TOWNSHIP OF PORT HURON****St. Clair County, Michigan****BROWNFIELD DEVELOPMENT AUTHORITY****SPECIAL REVENUE FUND****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****BUDGET AND ACTUAL****FOR THE YEAR ENDED DECEMBER 31, 2005**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenues:</b>				
Intergovernmental - State	\$ 7,000	\$ 7,000	\$ 47,274	\$ 40,274
Interest	-	-	219	219
	<u>7,000</u>	<u>7,000</u>	<u>47,493</u>	<u>40,493</u>
<b>Expenditures:</b>				
Public Works-				
Professional fees	1,000	6,500	4,531	1,969
Construction	-	-	43,021	( 43,021)
Other	-	500	55	445
	<u>1,000</u>	<u>7,000</u>	<u>47,607</u>	<u>( 40,607)</u>
Excess of revenues over (under) expenditures	6,000	-	( 114)	( 114)
Fund Balance at beginning of year	<u>6,513</u>	<u>6,513</u>	<u>6,513</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 12,513</u>	<u>\$ 6,513</u>	<u>\$ 6,399</u>	<u>\$( 114)</u>



**REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Supervisor and Members of  
The Township Board  
Charter Township of Port Huron  
St. Clair County, Michigan

We have audited the financial statements of the Charter Township of Port Huron, Michigan, as of and for the year ended December 31, 2005, and have issued our report thereon, dated April 18, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Charter Township of Port Huron, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operations that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Port Huron Township's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described below.

**All vendor invoices should be presented to the Board for approval.**

During the audit it was noted that there were invoices that were paid but not included on the lists presented to the Township Board for approval. Currently an alphabetically typed list is prepared and presented at each Board Meeting. To comply with Michigan Compiled Laws and increase controls we suggest that the software module for accounts payable disbursements be utilized to produce a numerical list by check number for the Board to review for approval. This list would help to ensure that all checks written were submitted for approval and that the amount approved was the actual amount that the vendor was paid.

**The utilities accounts receivable should be periodically reconciled to the detailed subsidiary records and all billing adjustments approved with supporting documentation attached.**

During our audit we noted that the Township did not reconcile the detailed utilities accounts receivable ledgers to the General Ledger and that billing adjustments were not approved. By not performing this reconciliation, transactions or adjustments may be posted to the general ledger, but not the detailed accounts receivable ledger and vice versa. To increase the control over the utility accounts receivable and cash receipts, and increase the accuracy of internally prepared financial statements, the detailed accounts receivable ledger should be reconciled to the general ledger on a periodic basis and billing adjustments should be approved by someone other than the person preparing the billings and supporting documentation should be attached to support the proposed adjustment.

**Controls over revenues generated at the Township's RV Park could be improved.**

At the current time when someone arrives at the Township's RV Park the attendant issues a receipt for the amount collected based on the length of stay and the type of hook-up. Weekly the attendant takes the amount collected and a copy of the prenumbered receipts to the Township Hall for deposit. However, there is no way for the Township to know for certain whether all money collected was receipted by the attendant. We suggest the Township investigate instituting procedures to make sure all money collected is receipted and remitted to the Township.

**All cash received for the sale of cemetery lots should be collected through the Treasurers office and a detailed subsidiary ledger should be maintained for all cemetery lots sold.**

During the audit we noted that when cemetery lots are sold, the monies are not collected by the Township Treasurer. Although we understand that sometimes it is necessary to sell lots on the weekend, if at all possible, cash receipts should be processed through the Treasurer's Department. If it is necessary to collect monies during the weekend, it should be immediately deposited with the Treasurer.

In addition, currently some cemetery lots are sold on an installment sales agreement with the deed issued once the entire amount has been paid. To increase controls over the sale of cemetery lots, a detailed listing of each lot should be maintained, indicating the lot number down payment, any payment made, and the amount due.

**All permits should be prenumbered.**

At the current time the Township prenumbers the Building permits with a stamp, however the electrical, plumbing and mechanical permits are not prenumbered. To increase controls we recommend that all permits be prenumbered. Also if the permits are not prenumbered by an outside agency, we suggest that the prenumbering stamp/machine be maintained by someone other than the individual responsible for cash receipting or performing the inspections.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

We also noted certain other matters involving the internal control over financial reporting that we reported to management of the Charter Township of Port Huron, Michigan's in a separate letter dated April 18, 2006.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Charter Township of Port Huron, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters, which are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the audit committee, management and others within the organization, and Township Board and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, reading "Stewart, Beauvais & Whipple".

Certified Public Accountants

April 18, 2006





## MANAGEMENT LETTER

To the Supervisor and Members  
of the Township Board  
Charter Township of Port Huron  
St. Clair County, Michigan

As you know, we have recently completed our audit of the records of the Charter Township of Port Huron, Michigan, for the year ended December 31, 2005. In connection with the audit, we believe that certain changes in your accounting procedures would be helpful in improving management's control and the operational efficiency of the Township's recordkeeping system or compliance with laws and regulations. These suggestions are a result of our evaluation of internal accounting controls and procedures and our discussions with management. As noted in our ***Report on Internal Accounting Controls***, these weaknesses were not considered material in relation to the basic financial statements of the Charter Township of Port Huron, Michigan.

**A cafeteria plan should be established by the Township Board to account for payments to employees in lieu of health insurance.**

During the audit it was noted that a couple employees receive payment in lieu of health insurance benefits. Although this is a win-win situation for both the employer and employee the IRS has ruled that this type of option would make the premiums paid for employees electing the medical insurance a "taxable benefit". These types of arrangements can be accomplished by adopting a formal cafeteria plan. Cafeteria plans are very flexible and can be structured to fit the needs and requirements of the Township.

**To increase controls, all journal entries should have supporting documentation.**

During our audit testing we noted that adjusting journal entries did not always have supporting documentation attached. All journal entries should be accompanied by a full explanation and/or by reference to adequate supporting data. The Township should also consider having someone other than the person making the entries approve the entries.

**Controls could be improved by utilizing passwords on certain computer applications.**

At the current time passwords are not utilized to limit access to certain accounting modules to certain individuals and/or departments. For instance, currently there are no passwords limiting the ability to post journal entries or process checks. To increase controls we suggest that the Township work with the software company to limit access for certain functions and applications to certain individuals/departments.

**All funds should be balanced at the end of each month.**

During our audit we noted certain funds did not balance, debits equaling credits. The double entry accounting system is designed to provide control over the accounting records. As a result of the funds being out of balance, a number of problems can occur and go undetected. We recommend that the funds be balanced before the monthly records are closed.

**Procedures for issuing employee W-2's should be reviewed.**

During the audit it was noted that multiple W-2's were being issued to several employees. Once an employee qualifies for W-2 reporting all wages should be reported on one W-2 form and be subject to FICA. We recommend that the Township review the procedures used when W-2's are issued.

**The Township should consider modifying its investment policy.**

During the year, a new GASB Statement, GASB No. 40, became effective for all governmental units. The Statement requires that the governmental unit disclose additional information regarding the types of investments held, length of maturity, securities rating, etc. In addition, it discusses four types of risk: custodial credit risk, interest rate risk, credit risk and concentration of credit risk. (See Note 3 to the annual financial statements.)

We recommend that the current Township investment policy be reviewed and modified to address each type of risk.

**The Township should reconcile wages reported per the General Ledger to wages reported on quarterly Federal Form 941's.**

During the audit, it came to our attention that the quarterly 941 wages filed were not reconciled to the wages reported on the Township General Ledger, which could result in several reclassification journal entries. To ensure posting accuracy and proper reporting, a quarterly reconciliation should be performed comparing wages reported per the Township General Ledger to wages reported on the Federal Form 941 filed. Any difference should be investigated, and necessary corrections made.

**Improve control over electronic transactions.**

Public Act 738 of 2002 requires that each governing body adopt a policy for Automated Clearing House (ACH) arrangements and Electronic Transactions of Fund. The policy should contain procedures and personnel responsible for payment approval, accounting, reporting and general overseeing of compliance issues.

We recommend that a resolution for such a policy be adopted. In addition a record of all electronic transactions should be maintained to document which accounts are involved and the purpose of the transfer.

**The Township should review the utility charges to neighboring municipalities.**

The Township currently receives payment for water and sewer usage from a neighboring municipality without requesting any meter reads or support for the calculation of the amount used and being paid for.

We recommend that a written agreement be approved by the Township Board which details the rates that the water and sewer usage is to be charged at and the procedures to determine that the proper amount of usage is calculated correctly.

These conditions were considered in determining the nature, timing, and extent of the audit tests applied in our audit of the December 31, 2005 financial statements. We have not considered internal control since the date of our report. It is important to remember that management is responsible for the design and implementation of programs and controls to prevent and detect fraud.

This report is intended solely for the information of the audit committee, administration and the Township Board of the Charter Township of Port Huron, Michigan and is not intended to be and should not be used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our examination. We are available to discuss any or all of these conditions with you and to provide assistance in the implementation of improvements.

Sincerely,

A handwritten signature in cursive script, reading "Stewart, Beauvois & Whipple".

April 18, 2006